

JANUARY, 1953



Spokane—The Birthplace of the National Association

ABOVE IS AN airview of downtown Spokane and the Spokane River and bridges. This is an official photograph by the United States Navy.

Largest city between Minneapolis and the North Pacific Coast, the modern metropolis of Spokane is the financial dynamo, the business and commercial powerhouse of a vast Inland Empire extending 150 miles in each direction. This area is not only rich with the treasures of mines, forests, soil, and waterpower, but is a region undergoing unprecedented development.

Strategically situated in the heart of the Inland Empire, with superb transportation facilities, exceptionally attractive living conditions, an abundant and varied supply of raw materials, a labor pool of efficient workers, and low-cost power from private hydroelectric utilities and public power from Grand Coulee Dam, Spokane is likewise experiencing marked industrial advancement.

Spokane is a friendly city. Visitors are always heartily welcomed. Its 165,000 citizens are proud of their city and anxious to show its beauties. It is the center of a fabulous vacationland of wild grandeur and unparalleled beauty. Spokane is alluring in summer or winter. The summer

climate is delightful. At an altitude of 1,898 feet and ringed by the towering Rockies, Cascades and the Selkirk Mountains, the city is bathed by mountain breezes and air conditioned by Nature.

Few cities in the world offer Spokane's advantages as a vacation headquarters. The Pacific Northwest is most accessible from Spokane in every direction. Within a short distance are two of America's favorite playgrounds, Glacier and Mount Rainier national parks. Glacier Park may be reached by an easy, beautiful drive of only 302 miles. Mount Rainier is spectacular and awe inspiring. With its snow-capped peak reaching skyward nearly three miles, this great extinct volcano feeds the largest system of glaciers of any mountain in the United States. The Eastern Gateway to Mount Rainier is only 310 miles from Spokane. It is world famous as an Alpine playground and it invites hikers, skiers, and those who wish to feast their eyes on beauty unexcelled anywhere.

Spokane is the home of the Spokane Retail Credit Association, the third largest unit of the National Retail Credit Association with a membership of 914 as of December 15, 1952.

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St. Louis 19, Mo.

The CREDIT WORLD

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OFFICIAL PUBLICATION OF THE NATIONAL RETAIL CREDIT ASSOCIATION

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2. What People Buy on Credit.
3. The Value of Personal Credit.
4. Credit Depends on 2 Things.
5. Your Credit Record Is an Open Book.
6. How to Establish Your Credit.
7. How to Maintain a Good Credit Record.

ON THE LAST page appears the Code of Ethics of the National Retail Credit Association which in itself carries a worthwhile educational message to the consumer. On the inside back cover is the National shield containing the slogan "Guard Your Credit as a Sacred Trust." The outside back cover has been left blank so that you may, if desired, imprint the name of your store on it.

THIS BOOKLET covers fully the conveniences and advantages of credit, as well as the necessity for maintaining a good credit record. It is an excellent educational piece to enclose in letters opening new accounts, in sales promotional letters, and in collection letters. The consistent use of this booklet will produce highly satisfactory results whether in the promotion of business or in the collection of past-due accounts. ***

NATIONAL RETAIL CREDIT ASSOCIATION

375 JACKSON AVENUE

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This Announcement Has Special Significance to Those Seeking Greater Proficiency and Success
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NORMAN, OKLAHOMA, JULY 20-24, 1953

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Spokane-The Birthplace of the National Association

RALPH W. WATSON, President, Watson Company, Inc., Spokane, Washington
Past President, National Retail Credit Association

THE NATIONAL Retail Credit Association means a great deal to Spokane, and Spokane means a great deal to the Association. Either way, the reasons are the same. Spokane Credit Men organized a local association more than a year before the National was organized, also in Spokane in 1912. Spokane's local members became charter members of the National. The Spokane Association was in a major sense responsible for the organization of most of the other local Associations in the Pacific Northwest and was host to the first regional conference in 1921. It was also host to the silver jubilee convention of the N.R.C.A. in 1937, which was presided over by President E. K. Barnes of Spokane, one of three Spokane credit executives to be elected to that office.

Every Spokane local association member is a National member too. As of now there are 914, an increase over one year ago of almost 100, and an increase since 1947 of more than 400. The Spokane Association was written up in the January 1947 CREDIT WORLD in recognition of having reached a membership of 500. The 1950 census shows 61 cities of greater population, but only New York and Pittsburgh have more National Members. These facts are interesting but so is the background that seems to have set a pattern that has long ago grown into a tradition and set up guideposts and ambitions which have carried the Spokane association to its present attainments.

The original founders were all men. They met every Wednesday noon. Their sole program was the intimate discussion of their credit accounts and of those who wanted to open them. The discussions were extremely frank and were often picturesque, especially if a slippery operator was under discussion. The members all knew each other well and had complete confidence in each other's discretion and in the honesty of their comments.

It was this confidence and frankness that created a great reluctance about the admission to the noon meetings of women credit managers. They could be members but these meetings were closed to them for some years. When they were finally invited to attend it was made clear to them that abuse of confidence and loose talk would not be tolerated. The women responded of course and while the "stag" atmosphere was in a measure lost, the tradition of frankness and discretion has remained.

As in most cities, the founders were from the larger firms. In time, they learned that they needed the information in the files and experience of the smaller firms, and with characteristic directness and aggressiveness they put on a campaign for new members. I believe the first big drive was probably that of 1918 in which year I was membership chairman. In that year the membership approximately doubled, and it was about doubled again in 1919. Ever since it has been a definite policy to grow, and it has grown. Nobody thinks the limit is nearly reached.

The names of twelve of the founders are definitely known. Now, after 41 years, four of the twelve are still living. One has moved from Spokane and retired. One is, as then, a banker but with a different institution.

One has left credit work entirely but is still active and one is with his original firm, and is now its head.

But we have never lacked aggressive and capable leadership. Our Presidents have always come up step by step. No one is ever advanced who is not a worker, who is not capable of leadership, nor whose personal ambitions appear to outweigh his ambitions for the Association.

Our Presidents have represented many lines of business. There have been department store credit men and those from banks, fuel dealers, insurance firms, title companies, realtors, specialty stores, lumber dealers and others. Nor do our Presidents succeed themselves. There is never a lack of talent, and the honors are passed along. But the Past Presidents generally remain active, are highly respected, and have a generally stabilizing influence. They are featured at each annual banquet where they and their ladies have their own table, now larger than the speakers' table.

Spokane deserves recognition for its strengthening of the National in this Pacific Northwest. Its President, F. P. Shockley, in 1918, attended the National Association Convention in Boston and came home all fired up with enthusiasm for the National. He pointed out to us that Spokane had the only affiliated local association North of San Francisco and Denver, and West of the Twin Cities and perhaps Lincoln, Nebraska. At least that is how I remember it. He wanted local associations formed in Seattle, Tacoma, Portland, and many other cities large enough to support them.

Local Units Were Organized

A strong committee was named and after considerable discussion it was agreed that each member would correspond with credit men of his acquaintance in these various cities, suggesting to them that a responsible group in each city get together and organize. Our bureau operator, our venerated N. M. MacLeod, then and now our beloved secretary, recommended cooperation and help to the respective bureau managers.

This committee worked hard. It held frequent meetings, each member reporting the results of his correspondence. By early 1920 it appeared that there was opportunity to organize several cities, and this writer, who had been the committee chairman, was asked to arrange meetings in Seattle, Tacoma, Portland, Salem, Eugene, Yakima and I believe Wenatchee, and to attend these meetings and attempt to perfect their organizations. This plan was carried through, and locals were formed in Portland, Yakima, Tacoma and Seattle at that time. All have functioned since, and now every city of even a few thousand is also organized. They were all organized on a 100 per cent national basis and still are. Later the cities of Idaho, Montana and Utah were also helped and were organized.

Another first from Spokane was the Regional Conference. By 1921 it was felt that these new associations needed to be tied together, and that a two day meeting,

(Turn to "Birthplace," page 18.)

There Is Plenty of Excitement in Bureau Work

NICHOLAS M. MACLEOD, *Manager, Spokane Credit Men's Rating Bureau, Spokane, Washington*

EVEN THOUGH the sign on your door says "credit bureau," any bureau manager knows that his work is not all credit work. When you become enmeshed in the foibles and frailties of people—the human side of life—the credit end of your work is relegated to a second spot. Fifty years ago I started what is now the Spokane Credit Men's Rating Bureau. Through the long parade of years, many and varied were the requests for help that streamed across my desk.

One of the most unusual requests for aid came from a midwestern banker who was trying to settle an estate. The deceased, a bachelor, had had an affair with a Spokane woman back about 1900. Out of that union was born an illegitimate daughter.

On his deathbed, the wealthy bachelor decided his unknown daughter should have his fortune. So the banker came to Spokane and appealed to the credit bureau for help in locating her. Our records turned up the mother, then nearly 70 years old. She, in turn, located her daughter who was married and living in another city. When finally located, the daughter and her husband were in poor financial straits and the sizeable inheritance was like a blessing from heaven.

Another appeal for help involved an attractive young widow and her \$25,000 bank account. The widow came to Spokane from a neighboring state one afternoon seeking information about her fiancé. Only that morning he had remarked about never using credit. She became suspicious and, being the owner of a small business, appealed to the credit bureau for help. When told it would take a few days to check on her fiancé, a clerk in a Spokane store, she wailed, "But we are to be married tonight."

This called for drastic action, and with the aid of the telephone wires, we soon had enough information from all over the United States to tell us that the prospective bridegroom had been married four times; murdered one wife; absconded with money; was a fugitive from justice and a warrant was out for his arrest. The unsuspecting bridegroom soon landed in the arms of the law instead of the widow's arms and she returned home a much wiser widow.

Solution of a Bank Robbery

Records of the credit bureau also once proved the turning point in the solution of a bank robbery. It all began about noon one day four years ago when a masked gunman held up an east side bank. The only thing the manager could remember about the gunman was that he had worn a pin-striped suit.

Government agents got on the trail and soon came up with a possible suspect. He was checked through the credit bureau files and, sure enough, there had been a credit information request from a local men's clothing store a short time before the robbery. Agents checked the clothing store records and found that the suspect had purchased a pin-striped suit answering the description of the suit worn by the robber. The agents moved in,

nabbed their man and soon had a confession. A substantial part of the loot was recovered.

Even persons in responsible positions can succumb to the lure of a fast dollar, as was indicated in another big case that was solved largely through exhaustive use of credit bureau records. During the last war, a local firm noticed with growing suspicion the increase of the payroll at one of its branch plants where war contracts were being filled. Government agents and plant officials came to the credit bureau for help. The records of every single employee at the plant were checked. Finally, it was discovered that the foreman of the branch plant had recently purchased several small businesses, a cabin cruiser and other expensive items. His expenditures over a few months' time exceeded several-fold his salary from his employer during that period.

The man was brought in for questioning and admitted padding the payroll at the branch plant with about thirty phoney names. If it had not been for thoroughly kept bureau records, he might have gone on stealing from his employer indefinitely.

Sometimes credit bureau managers come in for harsh words from persons who do not understand the operation of a bureau. Among these was a woman who demanded rather hysterically, "Are you going to keep me from becoming a mother?" She and her husband, childless after nine years of marriage, had applied at a local orphanage to adopt a child. She was told a check would be made to see if she and her husband were financially able to care for a child.

As the couple had filed bankruptcy a few months prior to this, the woman became indignant and withdrew her application. From the orphanage she stormed to the credit bureau office where she wanted to know if a bad credit record would "keep me from becoming a mother."

After a few years of this sort of thing, no credit bureau manager can be criticized if he becomes slightly cynical about his fellow-men. But every so often, along comes a person who restores all your lost faith in human beings.

Such was the man who left Spokane in 1935 owing about \$175.00 in small accounts. Ten years later, the bureau received a letter from him, saying he wanted to square all his old bills.

Through bureau records, all of the creditors were located, even though some of the firms had a hard time finding their records for that period. During the next thirty days, the man sent checks to every creditor for the amount owing, plus interest compounded at six per cent per annum. It cost him more than \$400.00 to pay these old bills, but he paid them. Truly, here is an honest man.

It's been an exciting life to watch this western upstart grow from a city of 36,848 persons in 1900 to more than 173,000 in 1952. During the same half-century period, activities of the bureau have grown to keep pace with an aggressive city. Starting in 1902 with a shoebox full of cards, the Spokane credit bureau has grown into more

(Turn to "Bureau Work," page 27.)

You Will Always Have a Job

R. F. STURDEVANT, *Assistant Credit Manager, The Crescent, Spokane, Washington*
President, Spokane Retail Credit Association

PROBABLY few credit executives went to college for the express purpose of learning to be credit managers. I do not classify myself as a credit executive, but do believe I would be considered an average department store credit man with the customary preliminary training.

I went to college with the idea of learning accounting. The possibility of entering credit work never occurred to me. This was back in the days when business was beginning to emerge from the throes of the depression and jobs were not too plentiful. After graduation I accepted a position with The Crescent in the General Office Accounts Payable Department. Later a vacancy occurred in the Credit Department and I was offered this promotion. As happens in many cases, I just happened to get into credit work because I was in a particular place at a particular time.

My education consisted of the usual business administration course and accounting, which is always useful in credit work but could not be in any way considered specialized training for the job. If a man wants to become a doctor or a lawyer, he usually determines his course ahead of time and has a very definite educational program. Although there is not a direct comparison between a credit manager and a doctor or a lawyer, this business of credit certainly can be classified as a profession, and the credit manager doing his job efficiently also can be classified as a specialist.

The qualifications of a credit manager as listed by most college textbooks are numerous and often flattering. They seldom mention, however, that he should also have most of the qualifications of a good detective, the patience of Job and the vision of a Prophet. There are many times when he would give anything to be able to determine the future by gazing into a crystal ball, but one of the many reasons why the credit manager's job is important is due to his ability to see ahead. He is, in fact, a sort of crystal ball for management to use to assist in determining future activities.

The longer a person is engaged in credit work the more he learns, and the more he learns the more he discovers there is to know. Seldom does a day go by without teaching him something new or reminding him of something he had forgotten. The job of the department store credit manager is usually pleasant, although there are times when his bad moments appear too close together. His work is often difficult requiring important decisions in a hurry and his decisions probably will not make everybody happy. He is usually convinced, and rightly so, that he is about the busiest man in the whole organization because his job not only embraces his own department, but to a certain extent every other department in the store. Almost every contact the salespeople make with the customer sooner or later affects the credit department, and the efficiency of the credit department becomes a strong bond between the customer and the store. Likewise inefficiency may destroy this bond. On many occasions, the customer's first contact with the store is

through the credit department and this first impression is extremely important.

What does management think about all of this credit office activity? Although some may feel management is not sufficiently impressed, is it not the general consensus of opinion that management has become increasingly aware of the part the credit executive plays in his business? The Big Boss knows that this job must be done by someone who is a good judge of human nature, has a knowledge of economic principles, and perhaps the most important of all, must be sales minded. This last requirement is not new by any means, but it certainly was not one of the necessary qualifications of the early-day credit manager. His job was to collect money only unless he had to do bookkeeping on the side, and he was not the least bit interested in selling merchandise.

Credit office procedure seems to be composed of hundreds of details. These details can easily snow a man under unless the work and delegation of authority are properly divided. Not under any circumstances should the credit manager be so burdened with details that he is unable to think ahead and plan for greater efficiency in his department. Yet this often happens and the situation can become a vicious cycle which may get out of bounds as the business grows.

The credit manager must have capable people in his organization to accept authority and relieve him of details. It seems certain his job would be easier if he could draw these people from a group who had considered credit as an interesting and profitable profession and who had specialized in the various subjects, which, when consolidated, tend to form the background of a credit manager's education.

Specialized Courses in Credit Management

We are told by some authorities that many colleges are now presenting more specialized courses in credit management. The credit profession must be anxious to have capable young men and women take an interest in these courses. This applies to women as well as men as we all know women make up a substantial portion of all credit office personnel and shoulder an enormous amount of the responsibility. In some instances, they handle all of it.

At this point we may ask ourselves again this question, How many men and women go to college to learn to be credit managers? If colleges offer an opportunity to specialize in this field, perhaps the credit profession is at fault for not promoting the opportunity. If other professions seem more profitable, again the credit profession may be at fault for not exploiting its own cause. Credit executives may be so busy with their own work they have not taken the time to consider the cause properly or to do anything about it, which is all the more reason why they should.

It is not the purpose of this article to impress credit men and women with their own qualifications. It is not necessary because they already know what their respon-

sibilities are. They know their job requires hard work and they are aware of the extent of their personal limitations, but perhaps directly or indirectly others can be encouraged to seek the credit profession as a vocation if credit executives would more vigorously promote the cause through schools and their own credit associations.

For the past several years jobs have been rather plentiful and often profitable. Young people could afford to be independent and take a job or leave a job as they wished. Times have not always been this way as many of us know, and we have no guarantee that they will always stay this way. Years ago during the depression, a man might consider himself lucky to be working at all when thousands of others were out of a job. Because of business failures for one reason or another, a few of these people who were out of work may have been credit managers, but certainly only a few. The credit manager had one of the most necessary and important jobs his firm had to offer. He had to collect those outstanding accounts in order to keep his firm in business, and at the same time he had to extend credit wisely because the customer needed credit.

During prosperous times, he is busy with sales promotion and securing new accounts. His position certainly strikes a balance which can be considered an important factor when analyzing a job from the standpoint of security. Perhaps job security is not considered important now because it has been so many years since we have experienced widespread unemployment. Nevertheless many authorities on our present-day economy conclude that some changes will occur. This business of credit is a very important part of our economy. In fact, the nation could not get along without it. So whether we experience good times or bad, those engaged in the credit profession will always have a job. ★★★

Spokane—The Wonder City

In addition to having the distinction of being the birthplace of the National Retail Credit Association in August, 1912, Spokane, with a population of 160,000, has a National membership of 914, the third largest unit in the nation. It has the further distinction of being the birthplace of the Credit Women's Breakfast Clubs of North America which was organized and became a division of the N.R.C.A. at the Silver Jubilee Convention of the Association held in Spokane, June 15-18, 1937.

Not only is an excellent spirit of cooperation apparent among the credit executives and credit personnel of Spokane, but they are imbued with unlimited enthusiasm. Spokane boasts three past presidents of the N.R.C.A., Ralph W. Watson, 1925-1926, E. K. Barnes, 1937-1938, and R. T. Schatz, 1949-1950, who continue to take an interest in local, district and national affairs. It also numbers among its members the fourth president of the Credit Women's Breakfast Clubs of North America, Miss Ethel Dopp, who served in 1940-1941.

The Credit Bureau Manager, N. M. MacLeod, has served the credit granters of Spokane in that capacity for more than 50 years and has done an outstanding job. He is Dean of the credit bureau managers of North America and attends all meetings of District 10 and most of our International Conferences.

Congratulations, Spokane, on your outstanding achievements and your progressiveness.—L. S. Crowder, *General Manager-Treasurer*, National Retail Credit Association.

CREDIT WORLD BINDERS

THESE NEW BINDERS, which we have recently purchased for our Members, are the pamphlet type with stiff blue fabrikoid covered sides and the words "The CREDIT WORLD" lettered in gold on the backbone. Each Binder will hold twelve issues. There is an individual wire for each issue which can be easily inserted. Every member should have one of these Binders for each volume or each year.

THESE BINDERS may be kept on your desk or in your bookcase for ready reference. When you have this Binder at your finger tips you do not have to fumble around for your CREDIT WORLD for last November. It will be there with all the other current copies. Order one today while you have your issues for 1952 still available.

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NATIONAL RETAIL CREDIT ASSOCIATION

375 Jackson Ave.

St. Louis 5, Mo.

Collections in the Early Stages

ETHEL M. DOPP, *Credit Manager, R. J. Martin and Company, Spokane, Washington*
Past President, Credit Women's Breakfast Clubs of North America

THERE ARE NO new ideas on collections, but there are many different methods of putting the old ones into practice. The best method to use is the responsibility of every collection manager. Every charge account on the books is an asset that replaces the merchandise, or the service sold to the customer, but the profit is not realized until the account has been collected. Much money has been spent and much experimenting has been done to systematize collection procedures, and while one system might fit the needs of one firm, it could be quite unsuitable for another. Whether it be an open or installment account, the basic principles exercised in putting any collection procedure into effect are the same.

We operate a Finance Company and an Insurance Agency. All collection records on the automobile finance ledger account receivable cards are marked A, B, C, and D, depending on what was revealed in the credit report. In addition to the rating "D" accounts, the card is especially tabbed in upper right-hand corner, which indicates the account must receive special attention. This is important when the account becomes past due.

Customers can be divided into three classes: those who can and intend to pay; those who can and will not pay; and those who absolutely cannot pay. These three classifications govern our collection procedure, but we cannot use the same methods for all three. You have every right to collect the money that is due and you should have no apologies to make when approaching a customer for a just debt, but we must plan the most tactful method of obtaining money from the customer.

People pay their debts for three reasons: honesty, pride and a desire for a good credit record. Determine from the information in your credit report and on your ledger card, which of these three classes your debtor is in. Appeal to these three senses from every possible angle before resorting to force. Never lose sight of the fact that every account on the books is a prospect for future business, and you do not want to lose the account. "Those who can and intend to pay." It seems that those in this class need more collection effort than those in the other two classes. "Those who will not pay but can," present a real problem, but often through the use of the right approach, can be moved into another category. "Those who absolutely cannot pay," often have good intentions but because of an emergency, or overbuying, are unable to pay. In these cases, we must adjust the payment schedule to alleviate the pressure.

A printed reminder is sent out on our installment accounts three days after payment becomes due. If no reply is received within five days on local, and ten days on out-of-city accounts, letter "A" (shown on following page) is sent out, and the local customers are contacted by telephone if possible. If this is the first payment, a personally written form letter goes out fifteen days from due date, and a reasonable amount of time is given for a reply.

The next step is a long distance call or wire, and this action is sometimes substituted by using letter "D."

If the credit information reveals that the customer is a floater, we have, in the meantime, written to his nearest relative, or his wife's nearest relative, to secure a more recent address. Also the employer is contacted to learn whether or not he is still employed there. We usually have a reply from these letters by the time the debtor should have answered. If he is still employed at the same place and has not answered, of course the next letter is a little more drastic in tone. We would say this comes under the can-and-will-not-pay class, unless pressure is brought to bear.

The value of the customer's security, and the class he comes under, determine how drastic your procedure becomes before repossession is made. The most important thing in installment collections is never to let an account get thirty days past due if possible, because it always becomes increasingly difficult to bring the account up to good standing again. If the customer falls into the "can-and-intend-to-pay" class, and you know he is simply negligent, you follow up every promise promptly so he will realize that you are not neglecting your collection procedure. It is a bad practice not to bring the matter of a broken promise to the attention of a customer in this class. If he can be contacted by phone, he should be called the second or third day after the promise to pay is made. The printed reminder seems of little value in these cases, and only through close attention are these customers kept within the month so as not to get into the thirty-day-past-due group. If there is a small balance from the previous month's payment, it should be brought to his attention when a notice is sent on the current month's payment.

Account Card History

Every account card has a space for the history of collection efforts, promises to pay, and any other valuable information secured in conversation with the debtor. If the delay happened to be the case of the unforeseen emergency, possibly illness, we note it. This relieves the sting when you call again about the account, and you can show some personal interest in the customer's welfare by asking how the sick member of the family is getting along. Be sympathetic; it helps a lot to know that the other fellow understands your situation to some degree, and is willing to cooperate with you. This debtor will usually pay you first when he is in a position to do so.

If the customer cannot pay because of overbuying, and his income will not go round, it may be your fault, and you must work the problem out for him. If he is conscientious, he can usually be made to understand this, and will cooperate. It is often a long procedure that must be gone through before the account is paid. There would not be so many people in this class if we took a little more interest in the case instead of hurriedly O.K.-ing the charge in the first place.

The success of your collection procedure depends on the impression made by your letters. We must keep in mind

that we are representing our firm through every letter we write, and that the recipient is a customer and your firm values his patronage. If a form letter is used it should contain well-chosen words. Do not use tactless collection lines since they leave the wrong impression, and often are the reason for a delay. In an address on "Truth and politics" Stanley Baldwin said, "Words are the currency of love and friendship, of making and marketing, of peace and war. Nations are bound and loosed by them. Three or four simple words can move waves of emotion through the hearts of multitudes like great tides of the sea." The technique of language is essential in the communication of business life, and words should be carefully chosen. The same applies to the approach by telephone. Always use a pleasant tone. "Hello, Mr. Brown, this is Miss Blank of Smith & Co. Did you forget us this month?" or "Did you overlook your payment?" If he has made a previous promise, you might say, "We have you marked up for the 15th for a remittance on your account; is that correct?"

The important thing is always to create friendliness and good will. This was often overlooked in the old-fashioned letter, and is the one phase of modern collection procedure on which our attention must be focused. A certain amount of brevity makes for more successful collection letters. Mimeographed form letters and printed notices are satisfactory for the first and second follow-up contacts, but when the account gets into a certain stage, personal attention must be given.

Many letters we write are personally typed form letters and much time can be saved if the credit executive makes a list of the generally used paragraphs. Number them, and keep a list before you when dictating. These personally typed form letters are often more effective than those hurriedly dictated, because thought has been given to the composition. However, these should be revised from time to time, so that a customer will not receive the same letter three or four times a year. It is a good idea to put one set aside for several months or a year and use another. When reviewing the account, the dictator can say to the stenographer, "Use No. 3 on this one," a few closing remarks can be added to suit the occasion, and a definite date can be established for the remittance. It is not necessary to make duplicates of these letters unless they are desired, as the collection record is marked with the number of the letter sent.

Form Paragraphs and Letters

Here are some sample form paragraphs:

1. In view of the fact that all previous installments on your contract have been paid promptly, we feel certain you must have overlooked the above installment.
For this reason we are bringing it to your attention again.
2. Have you forgotten the installment due ——— on your contract?
As all previous payments have been paid in such a prompt manner, this is the only conclusion we can arrive at.
- a. *December*
1952 is drawing to a close so why not take advantage of this opportunity to pay up your 1952 account in full before the new year is heralded in?
- b. *January*
Possibly our statement mailed to you last month was put aside for future attention and during the Christmas rush was overlooked.
We hope you will not delay further in sending us your check.
- c. *February*
Possibly with the first-of-the-year rush on, our statement

mailed to you last month was put aside and overlooked.
We hope you will not delay further in giving this friendly reminder your prompt attention.

d. General Use

So often, these busy days, statements are put aside for future attention and then overlooked. No doubt this is the reason your account has not been taken care of.
Your prompt attention to this friendly reminder would be appreciated.

LETTER "A"

A notice was mailed to you a few days ago but your remittance to take care of the installment due ——— on your contract has not been received.

We assume that you simply overlooked this payment, and hope this friendly reminder will receive your prompt attention.

Amount \$ _____

LETTER "B"

No response from either our notice or letter regarding the first payment of \$_____ due ——— on your contract has been received, but possibly they did not reach you.

It is most important that all payments be made promptly according to the contract and we hope you will send us your check without further delay. Thank you.

LETTER "C"

We are at a loss to understand why we have not received a reply to our notices and letters, as they have not been returned to us.

Your contract was cashed on the merits (or we made the loan on the merits of your credit report). Having made this loan in good faith, don't you feel, Mr. Brown, that we are entitled to an explanation from you as to why you have not made this payment?

Prompt attention to this letter will be expected.

Amount \$ _____

Due _____

LETTER "D"

Having written you three times regarding the past-due payment on your contract, it is difficult for us to understand

(Turn to "Collections," page 18.)

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Credit's Last Stand

EDWARD F. BRANDT, Assistant Vice President, Old National Bank, Spokane, Washington
Vice President, Spokane Retail Credit Association

DID THE TITLE of this article prove sufficiently intriguing that it caused you to delve further? If so, it has accomplished its purpose, and we will not refer to it again. Naturally we have no thought in mind that credit itself is on the way out or even threatened for that matter. As a way of life, credit is obviously here to stay.

This nation has reached its industrial greatness through the medium of mass production. While this mass production in itself is both marvelous and awesome, yet the products must be quickly assimilated and paid for if our giant is to be constantly fed its diet of raw materials. How long, therefore, would it take the factories to grind to a halt if we did not have mass consumption? How long would we have this same consumption if we did not have consumer credit? The prospect of any halt in this chain is terrifying to say the least.

It is logically vital that any increase in production and consumption must be accompanied by a like increase in the volume of consumer credit. Immersed in detail and concentrating on local problems the average credit granter might not be aware that he or she occupies an important place in the scheme of national prosperity. Yet, sober reflection will show that granters have a responsibility in seeing that the link of consumer credit is kept strong in order that no breakdown will occur here to disrupt the orderly flow of goods to consumers and cash to producers.

It would be an oversimplification to say that all we had to do was merely to provide the credit portion of this picture. Naturally we must also get our money back without high collection costs and yet make a certain profit on the transaction. To accomplish this it is necessary to be practical as well as visionary. Thus, while it is a nice feeling to realize the part we play in aiding the country's prosperity, yet we must examine closely the manner in which we are guarding our trust.

Perhaps you would logically expect a banker, who was also a credit man, to do some viewing with alarm and in this you will not be disappointed. Certain trends in the handling of today's credit problems are disquieting to say the least. In my view the worst of these concerns itself with the soft treatment accorded the perennial misuser of credit; a treatment which almost amounts to encouragement of nonpayers and those who are perpetually slow accounts.

In showing a disinterest in the assessing of penalties against violators of our credit policies, we may be follow-

ing a national trend which evidences itself in many ways. The unwillingness to inflict adequate penalties for misconduct may be seen every day in the many courts of the land. As an instance one has only to check cases appearing in any traffic court. Although traffic deaths are a national scandal, yet the drivers of death-dealing contrivances are practically encouraged to drive in an unsafe manner at terrific speeds. Those convicted of driving on crowded highways in violation of laws are given small fines. Teenagers hurtling down roads at 80 and 90 miles an hour are dismissed with lectures or given small fines which are usually paid by the parents. Obviously these methods of handling such situations are not lessening, but are actually increasing the number of such violations. What does it profit us to employ ever increasing numbers of police and constabulary to apprehend the violator if we refuse to deal strongly with him when he is brought to justice?

We have seen a similar trend in our national political pictures wherein violators of the public trust have flouted their misdeeds. Because the penalties for being caught are so slight to the point of being ridiculous, people are encouraged in crime by the fact that the benefits of "getting away with it" are great when compared with the light punishment meted out to the ones who are caught in the act.

Are we, as credit granters, leading, following, or just merely letting ourselves become a part of this picture which involves a neglect of our enforcement powers? That we are participating in this moral breakdown is evident. Pause now and give thought to your local picture, not only with regard to court actions, but also giving attention to your credit situation.

What have we been trying to do in our various credit associations over the past several decades? We have some high-sounding phrases we have coined to serve as our banners such as "Guard your Credit as a Sacred Trust." No one is going to find fault with a statement like that any more than anyone would quarrel with a sign saying, "Speed limit, 50 miles per hour." The necessity for each is dictated by public policy and the common good. Our difficulties in each case arise from the necessity of making it sufficiently attractive for the public to obey these commands. It seems rather apparent that our method of attacking the auto speeding problem is definitely unsuccessful, leading to the belief that a similar program applied to credit offenders could only have similar results.

Plan Now to Attend THE 39TH ANNUAL INTERNATIONAL CONSUMER CREDIT CONFERENCE

THE ROOSEVELT HOTEL, NEW ORLEANS, LOUISIANA, JUNE 22-25, 1953

National Retail Credit Association

Credit Women's Breakfast Clubs of North America • Associated Credit Bureaus of America

At this point it is proper to ask ourselves this question: "Why should our customers repay their bills and contracts promptly?" Think carefully before attempting to supply your own answer to this question. Good credit is an intangible which cannot be seen, felt or tasted. It is an ethereal something with a limited appeal, desirable only because of a supposed difficulty of existing without it. But does such a difficulty actually exist in practice? An answer of "perhaps" would have to be given today, and, if the present trend continues, an answer of "no" is indicated for the future.

What is an accurate picture of credit granting today? Are we doing a good job of eliminating and/or educating the poor credit risk, the chiseler, or the just plain careless credit user? Apparently not, since the same names appear over and over again, year after year at our credit meetings and on our "scandal sheets." It is evident that none of these persons has encountered difficulty in securing further credit even after offending time after time. Our penalties have either been nonexistent or slight indeed.

Although we run the risk of offending certain people and organizations, still it is interesting to speculate on some of the causes for our present credit shortcomings. In extending credit, the basic thought is that credit becomes an enabling process aiding the customer to possess certain goods at the time when they are needed rather than compelling the customer to wait until his cash position justified the expenditure. Our original concept was that credit is a convenience.

Probably it was inevitable that there should creep into the credit picture a new concept; namely, credit as a sales device. In this picture easy credit granting and so-called easy terms are stressed in appeal to the consuming public rather than the quality of the product for sale. This policy has resulted in credit departments in some cases becoming a form of sales department with floor clerks being relegated to the role of order takers. Nearly all authorities on retail trade are in accord on an apparent universal decline in the ability of today's salesmen. Perhaps the adoption of the principle of credit as a sales device represents a management attempt to compensate for this lack of salesmanship.

From the standpoint of the credit industry as a whole the above development can only bring a dismal picture. Whenever a decline in sales occurs then there is an immediate temptation to sell to the more marginal credit risk in order to bolster sagging sales figures. This procedure has the effect of restoring to good credit graces thousands of people whose past misuse of credit should have placed them in our credit "jail" for a long period of time. This action at once is the undoing of years of effort on the part of credit-minded stores and lending agencies, reporting offices and credit associations. How can we impress upon Mr. General Public the value of good credit when he can easily see that with poor credit he can still buy goods and after all the ability to buy is the overpowering desire.

Admittedly, credit users fall into many classifications depending on the depth of our inquiry. Just now, for the sake of ease in illustration, assume with me that they only fall into two general headings and that these be labeled simply "good" and "bad." Our major problem has been and will always continue to be how to make it attractive for those above the line to stay there and

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how to encourage those below the line to upgrade themselves into our "good" classification.

Why is it now attractive to have good credit? Does one get special prices from stores? Is anyone in this class given a lower rate of interest on borrowings? Since neither of these things is so, it seems apparent that the only desirable feature of good credit is the ability to use it at any time.

But what if our man below the line can also use his credit practically any time? In these circumstances how can we make our "poor" credit risk see any desirability in making the effort required to place himself higher in the strata? Conversely, can our man above the line see any particular reason to exert himself to preserve his place in the sun when others less circumspect seem to make out just as well? It does not tie in with human nature as we know it today to expect anything other than a gradual slippage of those above our imaginary line down into lower grades of credit standing.

Can we liken this situation to the similarity of a parent's troubles with his small youngster? It is always a problem to keep kids on the sidewalk and not allow them to stray into the street. You take little Johnny or Mary by the hand and tell them the facts of life about the dangers of playing in the street and with a few assorted dire threats leave Junior alone on the walk and mount to the front porch, looking back to observe the results of your preachings. If the child is normal, he will then put a tentative foot off the curb and into the street, at the same time watching the effect on you. Believe me, that is the time for action accompanied by swift and painful justice. If this is done all later battles are won the more easily.

Our new credit user is exactly in this same position, standing on the curbing of good credit but with a tentative foot poised ready to step into the street of poor credit. Unless all credit granters are ready and willing to administer penalties to those who stray, our future dealings will progressively become more difficult.

Only when one has been deprived of credit will he become convinced of its worth. From the age of the credit granter we may be going into the age of the collector. Can this trend be halted? It is strictly up to you.

★★★

When Credit Made Western History

GRACE KIRKPATRICK, Chamber of Commerce, Spokane, Washington

WHEN YOU ARRIVE in Spokane, friendly capital of the Inland Empire, which is that intermountain area that lies between the Rockies on the east and the Cascade Mountains on the west, you come to the spot where business history of the Pacific Northwest began. Just outside the city limits, nine miles downstream on the Spokane River, in 1810, the Northwest Fur Company established the first trading post of the region and called it Spokane House.

The name came from the Indian tribe whose lands lay thereabouts. They were the "Spokanee," or "Children of the Sun." It was a strategic spot, for in those days the rivers were the avenues of travel. Boatmen and voyageurs could push their way upstream from the Columbia, while this had long been a meeting place for the Indians who came to fish for salmon, and on the banks to sit in council.

Perhaps these were councils of war; perhaps they charted the hunting trips and decided how the game secured should be parceled out that all the tribe might eat when ice hardened the waters above the fish and deep snows prevented tracking the deer and elk.

However, it seems certain that such councils were not "credit meetings," even in a primitive meaning of the word, for history seems to indicate that all dealings between these early fur traders and trappers and the Indians in this region were on a strictly barter basis. Beads across the counter as it were, for furs flung in a heap on the floor. It was when the furs were brought in that the wampum and rewards were handed out, more a system of cash on delivery basis than credit, although, of course, there was no actual cash involved.

It was about forty-odd years after this founding of the fur trading post, Spokane House, that a form of credit became prevalent in the pioneer West, a famous form of credit, and its use spread not only through old Oregon Territory and the American and Canadian Rockies, but it was common practice from California to Alaska and the Yukon.

This was, of course, the "Grubstake," the system under which men who owned nothing but a spirit of adventure and who had the fortitude to endure hardship were outfitted in order that they could break the rock crust of hills and sift the sands of rivers to find gold, and silver, the enticing lure.

There were of course some prospectors who could provide themselves with pick and shovel and enough food to allow them to go off alone to try their luck. Then if they struck pay dirt, theirs alone was the profit, whether a few nuggets or a fortune. However, there were many, many more who had used their all just to get to the West, whether by trail across country, or by shipping around the Horn and up the Pacific Coast. They were on the ground and ready and eager to start, that was all.

In these frontier towns and mining camps there were also men far more affluent but of less hardihood, who preferred to risk their money rather than their necks. They thought it better to lose dollars than to undergo the

chance of freezing if caught in a blizzard in the hills, or a broken leg caused by a fall from a cliff.

So these men, merchants, bankers or others with means, grubstaked the prospector and if the latter was fortunate, this original investment entitled them to a share and usually a 50-50 share in the mine discovered and the fortune reaped from it. Usually a grubstaked prospector was given credit up to the amount of \$300.00. That is, he was given, up to that value, the tools, blankets and food he would need, and frequently also the burro and donkey he would ride.

The trust shown by the merchant or whoever furnished the outfit was not by any means the only trusting done in those days. Although men were rough and fights were frequent, all knew that a man's grubstake might mean his life and there were few who would steal such supplies. A prospector might leave his grubstake cached along the trail and no one would touch it. Frequently he had to leave it, for some of the cliffs and mountains would be hard to climb with several weeks' or months' supplies packed on one's back. A prospector would make his cache and return to it at intervals for fresh supplies. There was honesty in the obtaining and accounting concerned with grubstakes also.

One instance tells of a large group of prospectors who had been promised grubstakes when a ship came in at a Pacific Northwest port. The ship docked, the supplies were hurriedly unloaded, but the merchant was overwhelmed by the crowd. He had not enough hands to serve all at once so he told everybody to help himself and give him an account. Everything disappeared in a flash, but the only discrepancy in the accounts handed the merchant and the manifest of the ship was for six cans of condensed milk. And the merchant felt that it was the ship's manifest which might have been in error.

Cases Where Credit was Refused

There were many cases where granting of a grubstake or credit necessarily had to be refused because the resources of the man asked to grant it would not allow him to do so. How sadly true as regards a fabulous mine in Colorado where the prospector needed another \$25.00 worth of supplies to carry on! He offered one of the frontier townsmen a half interest in any mine he might discover for the needed \$25.00. It was refused. However, another townsman granted the loan. From the mine he found, this same prospector later took out \$450,000.00, then sold it for \$300,000.00 cash and a million dollars' worth of stock.

On the other hand, there was the case of great Bunker Hill mine of northern Idaho, where tradition has it that it was the burro given to the prospector as part of his grubstake, which discovered the ore. As the story goes, the prospector, discouraged and disheartened, had given up hope of striking it rich and was dejectedly sitting on the hillside before making his return to camp. His burro, grazing near by, slipped and upturned a rock which showed ore and became the famous \$4,000,000 donkey of the Northwest. Then and now, credit brought its risks and its rewards. ★★★

Annual Meeting of American Finance Conference

THE AMERICAN Finance Conference held its 19th annual convention in Chicago, Illinois, November 5-7, 1952, with a record attendance. Officers elected by the conference, an association of independent automobile sales credit companies, pictured below, seated left to right, are: Thomas W. Rogers, executive vice-president and secretary; E. P. Latimer, president, American Discount Co. of Georgia, Charlotte, N. C., new president; and R. Earl O'Keefe, president, Southwestern Investment Co., Amarillo, Texas, chairman of the executive committee. Standing left to right, are: James F. Watson, treasurer, Pioneer Credit Corp., Great Barrington, Mass., vice president; and John E. Murdock, president, Murdock Acceptance Corp., Memphis, Tenn., co-vice president. Absent from the picture was Robert Scott, General Finance Corp., treasurer.

More than 63 per cent of all the new and used cars purchased in 1951 were bought on installment credit, Thomas W. Rogers, executive vice-president of the American Finance Conference, told the organization's annual convention. More than 800 officials of independent automobile sales credit firms attended the convention.

"In 1951, an estimated 13,500,000 persons bought new or used cars and 63.62 per cent of the new car sales and 63.89 per cent of the used car sales involved the use of credit, incontrovertible evidence of the fact that installment credit literally puts America on wheels," Rogers said.

The percentages of new and used cars purchased on credit has shown a fairly steady rise each year since 1946, he added. In that first postwar year, only 42.06 per cent of the new car sales and 58.09 per cent of the used car sales were financed through consumer credit because automobile purchasers had money saved up over the war years when new cars were not available.

Analyzing the amount of credit involved in such sales, Rogers said that in 1951 the average involved in an individual new passenger car contract handled through sales credit companies was \$1,404.36. The average involved in such a purchase handled by commercial banks was \$1,335.35. For used passenger cars, the average amount of financing through sales credit companies was \$777.15 while for commercial banks, it was \$880.43. Commercial banks normally handle only late-model used car contracts, Rogers said, while sales credit companies also handle older model cars needed by workers, accounting for the higher figure for the average used car financed by commercial banks.

"The present high level of business activity should continue in the months immediately ahead," Elmer E. Schmus, vice-president and cashier of the First National Bank of Chicago, forecast before the convention. Schmus pointed out, "Gross national production is now at a very high level and is tending to move sideways. Production in terms of physical units, however, is tending to rise slowly with wholesale commodity prices slipping off.

(Turn to "Annual Meeting," page 25.)



Chapter XIII—Wage Earners Proceedings

REFEREE HERBERT R. MAULITZ, Birmingham, Alabama

ADMINISTRATION of the bankruptcy law for most of its history has been the operation of an economic funeral parlor. Those who failed in their business affairs brought the remains to the bankruptcy court for as peaceful a burial as possible. Of recent years an annex has been built to this funeral parlor because many of the business bodies brought in have been found to hold some breath of life, which, out of proper social and human consideration, demands that such life be revived, if possible. This annex has grown into an economic hospital with many operating rooms and wards. In one wing, large corporations are operated upon. In another, small businesses are treated. In another, sick municipalities are given financial oxygen, and so on down the corridors of the "Bankruptcy Clinic Building." In one of the wards we treat budgetary problems of wage earners.

The Charter under which this hospital operates is open to all. Certainly businessmen and corporations have no patent on financial difficulties. Surely there are many wage earners who have the same kind of difficulties and need the same kind of help. They are entitled to that help as much as anyone else.

In the Northern District of Alabama a total of some 43,000 cases under Chapter XIII have been filed. Necessarily, through trial and error, certain workable procedures have been developed. These may be of interest and use to you. No effort will be made to discuss the law involved in Chapter XIII proceedings. In truth, there is little decision law to discuss that is peculiar to Chapter XIII. Most of the Chapter XIII law is straight bankruptcy law or law that has been pronounced in Chapter XI proceedings. There are few published opinions in Chapter XIII cases. The statute itself provides but an outline of the procedure.

It remains, therefore, to the courts themselves and principally the referees to mould procedures that will make these cases work out most successfully. Naturally the procedures will vary to meet local conditions. Many of the methods used in Alabama would be inappropriate in other states. Indeed, somewhat varied practices are followed in the several divisions within this single district.

In considering procedures to be followed, one basic principle must be borne in mind at each step. The costs of the proceedings themselves must be kept low. If the working man is to be afforded relief from financial stress it cannot be through proceedings which themselves add excessive financial burdens. Nor is it desirable to proceed in such fashion that the cost to the government is excessive. You will see, therefore, that economy dictates much of our procedure.

CLARENCE W. ALLGOOD, Referee in Bankruptcy, Birmingham, Alabama, has furnished the National Office with up-to-date information concerning the operation of Chapter XIII in that city. The disbursements from October, 1933, through November 1, 1952, were \$7,331,723.31. The amount disbursed to creditors during November, 1952, was \$104,446.00. The amount received from debtors during the fiscal year ending September 30, 1952, was \$1,540,556.13. The amount distributed to creditors during the same fiscal period was \$1,290,150.25. This period included two months covered by the steel strike, otherwise the amount would have been larger. The amount distributed to creditors is over \$100,000.00 per month.

For example, our Bar in Alabama has cheerfully undertaken to handle wage-earner petitions for relatively nominal fees. The minimum fee for the debtor's attorney is only \$15.00 and is graduated upward depending upon the liabilities and the complexities involved. If this minimum were \$100.00, relief under Chapter XIII would as a practical matter be automatically unavailable to those debtors owing under \$500.00. Our lawyers have agreed that help should not be denied, even though it involves some charity work by their profession. Many wage earners are as unable to meet relatively small debts promptly as would be a businessman or firm whose debts are many times as great.

However, a number of Birmingham attorneys have specialized in Chapter XIII cases, and their income from these cases has proved most satisfactory. By way of illustration, on October 1, 1952, when we made an average monthly disbursement, the attorney's fees to debtors' attorneys alone (140 of them) amounted to \$13,522.79. In addition to this, approximately \$110,000.00 was disbursed to creditors. Attorneys for creditors, who file most of the claims, as a matter of course received a substantial part of this for their services. Bearing in mind that this is an average *monthly* disbursement, it is understandable that even with our low-fee schedules, this type of law practice is not entirely a matter of charity.

The second, and probably the most important, ingredient in efficient and economical handling of Chapter XIII cases is to have, in each industrial area, a single trustee for all Chapter XIII cases. As you know, the General Orders of the Supreme Court have exempted Chapter XIII proceedings from the rule against a standing trustee.

The advantages of a single trustee in Chapter XIII cases are numerous. First, from the standpoint of all concerned it is more simple. Creditors and their attorneys have a single office to consult on the status of their various claims, bearing in mind that many creditors having large retail credit businesses may have claims in a large number of wage-earner cases. Employers whose employees are in these cases have a single trustee to whom to transmit the wages or payments of their debtor-employees. Debtors' attorneys are able to follow their clients' cases easily with only one office to contact for information in all of their Chapter XIII cases.

Second, with a single trustee more efficient methods can be adopted. This results not only in lower expenses, but a much greater "workability" of the cases. One employer making wage deductions may send our trustee a single check for as much as \$64,000.00 representing deductions for one month from the wages of perhaps 2,000 or 2,500 employees. Imagine the added work to employers if so many deductions had to be separated and sent to 10, 25, 50, or more, different trustees. A single trustee, upon receiving such a single check with a list of debtors attached showing the payment of each, may quickly post the payments to the ledger sheets.

When the trustee disburses the funds paid in, he may write a single check to a given creditor, which single

check may include items of payment from as many as a dozen different debtors. In a community where there are a large number of Chapter XIII cases, the positions of a standing trustee and of his clerical staff become full-time jobs. This, in turn, brings greater familiarity with the many facets of this type of work, hence quicker and more intelligent handling of it. It also creates the possibility of specializing the tasks of the trustee's clerical staff, hence we have special cashiers, distribution calculators, check writers and even skip-tracers. No comment is needed to point out the efficiencies inherent in this method.

With a single trustee, a closer working relationship to the referee's office becomes possible. Decisions of policy by the referee may be promptly put into effect by the trustee. Physical proximity of the trustee's office to the referee's office may be easily arranged for quick interchange of information in the files and records of each, and for the prompt transmittal of orders, checks to be countersigned, and other papers. A multiplicity of conferences and mailings may be avoided.

Another practical detail of handling Chapter XIII cases rests in the method of receiving the payments made out of the debtor's wages. In Birmingham we have some 8,000 active Chapter XIII cases. It can readily be seen that with 8,000 payments due each week, bi-weekly or monthly, a trustee's office would literally be engulfed if each debtor were required or allowed to make his payment in person. The best solution to this problem is to ask the employers, especially those with large numbers of employees in wage-earner arrangements, to deduct the required sum from each pay check of each debtor in their employ, and once each month to remit the total sum deducted from all employee-debtors to the trustee, attached to a list showing the amount remitted for each debtor. This not only simplifies the trustee's work but is a convenience to the debtors who are thereby saved many trips to the trustee's office. Most large employers' bookkeeping systems are already set up to handle a great variety of pay-roll deductions, and the addition of this item of deduction generally does not involve any substantial difficulty or expense to the employers. Naturally, the certainty and regularity of payment are greatly improved by this system.

Debtors Make Deductions in District

In this district the employers of most of our debtors do make deductions and monthly remittances of the payments provided in our arrangements. In the other cases, of course, if and when the debtors fail to make their own payments voluntarily, where the employer prefers not to make deductions, we order the debtor's entire pay sent to the trustee.

The manner of disbursement in wage-earner cases also deserves careful attention. We find that creditors are as much concerned about regularity of payments as they are about the amount of payments. Consequently, we make a general disbursement from our cases on the first of every month. In some individual cases it is impracticable to disburse each month, but we do so in as many cases as possible, and especially in the cases where there are secured creditors affected. This attention to creditors' interests increases immensely their willingness to cooperate in working out new arrangements.

Another essential in Chapter XIII procedure, in our experience, is that the referee take an active part, if not the leading part, in the formulation of the arrangement itself. This is true both as to the amount of the installment payments to be made during the period of extension, and as to the plan under which the creditors will share in these payments. In passing, I might note that practically all of our Chapter XIII cases, with very rare exceptions, are solely extension cases. We have had few composition cases.

Naturally, a referee must know several things before he ventures to actively suggest a proposal. He must know something about the capabilities of the debtor to pay, which in turn involves knowledge of his income and his family's living costs. He must also know the reasonable expectations and limitations of the creditors—especially secured creditors. With such knowledge, however, the referee can do all concerned a great favor. A fair proposal coming from the referee may be instantly accepted by all parties, while the same proposal coming from the debtor or his attorney might cause almost endless debate. To be sure, a proposal suggested by the referee is subject to discussion and alteration, but there can be no doubt that such a proposal has better hopes of quick acceptance than one suggested by the parties.

The usual practice in Alabama is for the debtor to propose a periodic payment to be made and leave the disposition of the payments to the referee's suggestions. The referee, in turn, may accept the payments suggested as being adequate, or investigate, by examination of the debtor, the feasibility of increasing or decreasing them. As strange as it may seem, we do have many cases where the debtor offers to pay an amount each month that we know to be more than he can really afford to pay. The referee then calculates appropriate specific payments to be made to secured creditors, with the balance of the periodic payments to go to the unsecured creditors. At the first meeting the proposal, made up of the debtor's proposed payments and the referee's proposed division of the payments, is presented to the creditors for acceptance and confirmation.

Perhaps the most important element in Chapter XIII procedure is an intangible element. It is the attitude of the referee himself. If he has the feeling that these cases are petty nuisances and not worth while, they will not work. If he demands a formal and technical handling of procedural matters, they will not work. If he even appears to have a bias for the debtor or for the creditors, or for any class of creditors, they will not work. If he has no interest in the success of wage-earner arrangements, after they are confirmed, they will not work.

To put it affirmatively, we believe that the financial rehabilitation of wage earners is important to the debtors involved and to our community at large. In processing their cases we cut to the bare-bone minimum the purely technical phases, but sometimes do more than the law requires as to the substantial phases. We attempt to strike a careful balance in the arrangements between the ability of the wage earner to pay the amount of his debt and the nature of the various debts in their relative claims upon the payments to be made; striving for an arrangement that will appeal to all parties as fair. We feel

(Turn to "Wage Earners," page 25.)

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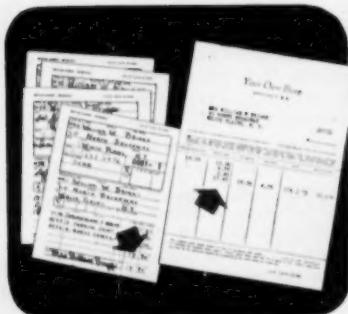
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Street _____

City _____ State _____



R4

"Collections"

(Beginning on Page 8.)

why you have not contacted us, giving the reason for your delay.

The policy of our firm is always to be lenient in cases of necessity, but of course we expect your cooperation in return. Unless your check is received by _____ steps to repossess your car will be taken. We hope, however, Mr. _____, that this unpleasant action will not be necessary.
Amount \$ _____
Delq. Int. _____

Our Insurance Agency constitutes the volume of our business, and possibly many may feel this type of business does not present a collection problem. Because of the competitive nature of the business, much care must be given to collection technique. We write no life insurance, only casualty lines, and with the increasing cost of automobile insurance, the Insurance Agent has his credit problems. Not everyone can pay \$60.00 to \$125.00 or more premium out of one pay check, so it ceases to be a thirty-day account. Therefore, time must be given the assured to take care of the premium because he must have the protection.

Usually the agent pays his accounts to the insurance companies within sixty days from date of policy, which means that he must collect sufficient part of the premium to keep up with the earned portion. If the account turned out to be uncollectible after the full premium had been advanced to the company, it would mean that the agent would lose the earned premium up to date, because he can recover from the company only the unearned part of the premium.

When an assured has reverses it would not help to cancel his insurance which protects what he has been able to accumulate over a period of years. In case of a claim, without sufficient protection, he is only getting in deeper. The Collection Manager has this in mind and has to work with such cases, many times carrying the account

until such time as he is in a position to pay. The merits of the case would of course govern your actions. Contrary to the belief of many, the assured does have protection whether he has paid the premium to the agent or not. Once the policy is written it is in force until a formal cancellation notice is sent to the assured. The company collects from the agent within the specified time and it is up to the agent to collect from the assured, if he carries him past this date.

This class of credit presents a different problem than in the case of selling a commodity. When the policy is received it is often put away with the invoice neatly tucked inside, and often in a place where it cannot be found. If the fire engine goes down his street, it might be a reminder that he had not taken care of his own premium.

Often the assured decides not to keep the policy after ordering it, but does not realize that while it is not a commodity, it must nevertheless be returned to the agent, before the agent can secure credit from the insurance company for the amount of the unearned premium, and that as long as he keeps the policy he is receiving protection afforded under the policy by the insurance company, and also a premium is being earned. The agent is charged with every policy and premiums they represent by the company and these numbers must be accounted for.

Like the retail business, however, there is opportunity for the development of new business when working on collections, especially over the phone, and you never receive a piece of mail from an Insurance Agent's office that does not contain advertising matter. Every credit or collection manager will agree that his work is interesting and while we all have the unpleasant customer to deal with occasionally when he is contacted about his bill, 1962. ★★★

"Birthplace"

(Beginning on Page 4.)

a convention if you please, of credit men from the one region, might well be profitable to all. And it would permit attendance by many who could not attend National Conventions. So Spokane took the lead, and invited the credit men of the four states to attend a conference in Spokane in February 1921.

The attendance was larger than expected, and the meetings were so successful that it was voted to have an annual conference. It has not been missed since. I am led to believe that this was probably the first such regional conference because, when it was announced, the National headquarters in St. Louis took alarm. It feared that we out here might secede and form our own Association instead of maintaining affiliation with the National. It decided to send an officer to attend and prevent any such development. But it had to count its pennies, too, and thought it would be less expensive to send a National Director from Los Angeles than from St. Louis. Actually the distance was greater and so was the expense.

No one had any thought of secession but rather of strengthening the National, which has been a result. This writer told the National Convention at Cleveland in 1922 about that conference, and suggested that other regions organize and hold similar conferences, expressing

the belief that they would be helpful to the individual credit men and would strengthen the National. It would appear that our present 12 districts and our 31,000 National members justify that prediction.

Still another "first" is Spokane's Credit Women's Breakfast Club, organized here. After several years of local development, it promoted the organization of the Credit Women's Breakfast Clubs of North America, at the Silver Jubilee Convention in Spokane in 1937, which last summer had a membership of over 10,000.

Spokane is proud to have been the birthplace of our National; is proud to have been host to the first regional conference; to have been helpful in organizing the local associations in the other Pacific Northwest cities that now make up District 10; to have exceeded the membership of any city less than four times our size and to stand third in the nation. We are proud the breakfast clubs became National here. We were proud to have been host to the Silver Jubilee convention, and we look forward to entertaining the Golden Jubilee convention in on the whole you meet some interesting personalities over the phone. After a while they seem like real friends although you might never meet them personally. ★★★

Credit and Collection Procedure

Credit Cards for Hospital Admission

IN WHAT IS probably a pioneering procedure in its field, the seven Rochester (New York) hospitals making up the Rochester Regional Hospital Council, Inc., have issued laminated identification cards to qualified persons. Cardholders are granted the courtesy of admission and treatment at any one of the hospitals named on the card without need for advance deposit. The wording on the front side of the card is shown below:

HOSPITAL IDENTIFICATION CARD ROCHESTER REGIONAL HOSPITAL COUNCIL, Inc.

(Mr. John J. Doe)
(1002 Aab Avenue)

NO. (RG)
(1-001)
(3-52)

(Rochester 27, New York)
(and Family Members)

Is extended the Courtesy of Admission and Treatment as provided under the terms of the application, at any of the hospitals listed on back of this card without advance deposit.

This is the reverse side of the card:

Participating hospitals:

GENESEE
HIGHLAND
PARK

ROCHESTER GENERAL
ST. MARY'S
STRONG MEMORIAL
LAKESIDE MEMORIAL

This card is issued as a Community Service in the hope that it may facilitate service for you or a member of your family.

Issuing Hospital: (Name)
(Administrator)
(Title)

Through various publicity channels the general public is invited to make application for cards. A complete credit application is required with all usual information set forth. The applications are then cleared through the Credit Bureau of Rochester, Inc. When issued, the cards entitle the responsible person, spouse and minor children to the facilities described.

The application contains the following agreement:

In applying for this Hospital Identification Card, I hereby agree to abide by the Financial Policy of the hospital to which it is presented, and will, either personally or through a responsible relative, contact the Financial Officer of the hospital involved within 48 hours of the card's use. In consideration of hospital treatment for persons listed on the application the signer agrees to pay the account. In the event of loss, I will immediately notify the Rochester Regional Hospital Council, Inc., 16 E. Main Street, Rochester 14, New York.

Signature

Dated this _____ day of _____ 19____

A master list of all cards issued will be maintained by the Council. Each hospital will keep an accurate and adequate file on all cards issued by it including use of the card and other pertinent information. At least monthly a bulletin will be issued from the Council Office warning of misused or lost cards.

The Hospital Council supervises the issuance and control of the cards, but the Financial Officer of each hospital is responsible for all details of credit extension and billing. The possession of the card does not guarantee that credit will be granted but its presentation will facilitate admission and establish identity and responsibility.

Members desiring more information on this forward-looking step in better hospital credit procedures in the community are invited to write to J. Bilger Bronson, Credit Manager, Rochester Regional Hospital Council, 16 East Main Street, Rochester 14, New York. Mr. Bronson was active at the Hospital and Professional Group of our Washington Consumer Credit Conference, and will also be on the program of this group at the New Orleans Conference next June. ★★★

Give Collections Priority in January

INDICATIONS are reaching us from several sources that severe personnel problems have forced many credit executives in recent months to forego customary routine collection follow-up on accounts. The year-end review of accounts, as a preliminary to charging-off to Profit and Loss, shows the effect of this enforced neglect. Seriously past-due accounts are appearing that reveal insufficient concentrated collection effort having been done on them. A drive during January to bring as many as possible of these accounts up-to-date would be profitable.

Undoubtedly in most cases skilled personnel scarcity will still prevent elaborate letter procedures but other forms of reminders could well be employed. Stickers, statement inserts and printed notices can be used without need for experienced people. The telephone, too, possesses great advantages in collections.

Several credit bureaus offer printed-snap-out carbon duplicate collection forms for the use of members that accomplish the dual purpose of reminding the debtor and at the same time serving as notification to the credit bureau of the condition of the account. Use of such forms where they are available is strongly recommended.

Whatever means are adopted (and there will be a variety of them, depending on the ingenuity of the credit executive), stepped-up collections will undoubtedly result.

What Is the Most Important Credit Problem for 1953?

Opinions of Management

It is difficult to lay down an exact yardstick to be followed in determining credit policy; for that policy is the result of the intelligent handling of thousands of individual accounts in each institution, both as to the extension of credit and the collection of accounts. The crystallization of such a policy must take into consideration not only the financial picture of each account, but the moral character of the individual under consideration. To be too loose would result in the building up of frozen accounts and excess credit losses; to be too tight would contribute to driving away good potential business for the store and today I believe it is accepted generally that a well-run credit department serves as a virile promotional vehicle for the stimulation of volume. However, it is axiomatic to recognize that as a cycle of great prosperity lengthens, and the danger and probability of a slackening of business activity may be in sight, it is expedient for anyone who handles fiscal matters for a business, whether such fiscal affairs are in the field of investment, credit or within the area of business or corporate management, to exercise greater conservatism, so that every house is in order, in the event that the slackening of business and industrial activity might result in recession, and the various conditions that go with the downward trend in the economic activity of the country. I believe this philosophy and practice will be recognized by all able credit men at this time. While it is difficult to prognosticate the future, most economists seem to feel, which appears reasonable after so many years of unprecedented prosperity, that some slackening of economic activity is likely during the coming months which might extend through 1954. It might be well for credit men as they embark upon the year of 1953, to take cognizance of this possibility, so that if these prognostications prove to be correct, their individual houses may be in good order.—Sidney R. Baer, Vice-Chairman of the Board and Treasurer, Stix, Baer and Fuller, St. Louis, Missouri.

In my opinion collection of accounts will be a primary problem. I believe, generally, customers will find it increasingly difficult to restrain from over-buying and encumbering themselves beyond ability to pay. Budget accounts should, therefore, increase; which, simultaneously, presents the problem of selecting good credit risks. This requires experienced and well-trained personnel. One might say that we are faced with a multiple problem, although it is not unmountable and is one with which we have been previously confronted and mastered.—Mrs. John A. Brown, President, John A. Brown Company, Oklahoma City, Oklahoma.

It seems that the elimination of Regulation W has put quite a problem on people extending credit, particularly on a long-time instalment basis. With advertising of "no money down" and "twenty-four months to pay," the credit stretch is particularly long, considering the fact that the future is so uncertain. With this talk of a recession the last half of 1953, it seems now is the time for everyone to "pull in their horns" and try to get higher down payments and a shorter credit stretch. Even a minor recession will mean there will be a lot of people out of work which will mean the credit risk is that much greater on long term deals. I suggest caution, clear thinking and adult judgment in handling credits through this particular period.—A. Davidson, Executive Vice-President, Boutells, Minneapolis, Minnesota.

I should like to add for the over-all problem this question: If the "war" situation improves considerably, how are we going to make a transition from an excessive war-operating economy to a conservative governmental operation without having the bottom fall out of things? By inflation we have been staving off the day of adjustment, and we are going to have to face the facts somewhere down the line.—Myron Everts, President, Arthur A. Everts Company, Dallas, Texas.

Believe that the most important objectives for credit development in 1953 should be the promotion of new charge accounts in a sufficient number to more than offset those lost to the store

because of deaths and removals from the city, and continued improvement of collection percentages through education rather than through strong or "tough" collection letters, a prompt and well-timed follow-up.—Max E. Friedmann, President, Ed. Schuster & Company, Inc., Milwaukee, Wisconsin.

With a change in the National Administration there naturally comes a feeling of uncertainty in the minds of businessmen. Many changes can be made, and not the least of these can be those concerning credit regulations. Then, too, for the past decade spending and buying have been at an all-time high, and in many instances somewhat reckless. For several years now national employment and income have been higher than anyone ever believed they could be. These factors have built a false feeling toward security for future indebtedness. By this I mean that it generally appears to be the consensus that good times and high incomes are here to stay. This may be true in a sense but they must be based on a realistic economy not prodded by excessive wartime spending. This feeling is likely to cause buyers to buy beyond their abilities to pay, and at the same time cause creditors to relax credit terms beyond sound security. The fact that credit has been more widely used in our economy since World War II, and oftentimes with lenient terms, could serve as pitfalls during 1953. It may be necessary for credit managers to be less lenient, and investigate buyers' ability to pay more thoroughly, before advancing credit than was the case in 1952, because of the fact that the general tempo of our economy is changing and business conditions for 1953 will be different from in 1952. Therefore, suggest we adopt the policy of "Stop, Look, and Listen" before advancing all-out credit to every "Johnny Commonweal".—Mrs. Marquerite Garrison, Secretary-Treasurer, Jordan & Booth, Shreveport, Louisiana.

The most important retail credit problem confronting us for 1953 is that of granting instalment credit on a sound basis, and yet not curb the granting of credit to an extent that good sales are turned away. To accomplish this dual job, careful management supervision of credit and collection functions will be required. Sound policies must be adopted and enforced. Collection and credit problems must be given consideration in the planning of merchandise programs. Advertising must place more emphasis on merchandise appeal and less on terms appeal. The number of small item sales should be increased to offset large items sold on longer terms. Credit departments must be warned of overloading customers beyond ability to pay. Collection departments must be freed of details so full attention may be devoted to the task of collecting and maintaining clean accounts. Principally, the credit man must be trained to recognize that the responsibility for the soundness of credit is his. He must realize that no longer can he depend upon a federal directive to force him to make sound credit terms. The credit man must grant long-term accounts carefully, offsetting these with many short-term accounts. He must express himself before management, making them aware of his problem and asking their assistance. He must watch the effect of store advertising on his credits and make himself heard before management when it is adverse. He must realize he holds a key position, that the accounts outstanding in many stores are the most valuable asset in the business, that he is responsible for their condition, and that this responsibility must be given the effort it deserves.—Rawson Haverly, Secretary-Treasurer, Haverly Furniture Companies, Inc., Atlanta, Georgia.

It is my opinion that the most important retail credit problem confronting us in 1953 will be a tendency on the part of retail management, in its perfectly natural desire to open wider markets for sales expansion, to overextend customer credit on contract or instalment sales. Our experience has been in the past that sales, made without adequate down payment, or with none at all, and with payments extending over 24, 30, and 36 months, have always ended in trouble finally, and a wide adoption of this practice would be not only highly inflationary, but would certainly hasten the event of a new re-

cession, or a serious contraction ultimately of consumer spending. If too many people learn to spend next year's income this year, the whole economy will be endangered. It is sound business both for stores and customers that credit relations should be maintained on a current basis and the payments made promptly as agreed. It is a demonstrated fact that in personal, just as in public relations, both domestic and international, nobody's friendship can be bought with money and when credit is overextended the creditor will lose not only his money, but his customer's friendship as well.—Allen W. Hinkel, President, Hinkel's, Wichita, Kansas.

★ ★ ★

During 1953, consumers and stores will benefit most through following sound, well-tryed and established credit policies. The wise use of credit enables the consumer to receive all its benefits and a retail business to assist the consumer in securing these benefits. A sound approach by both parties to the transaction will bring about mutual benefits.—Bernard S. Horne, Vice-President and Treasurer, Joseph Horne Company, Pittsburgh, Pennsylvania.

★ ★ ★

See nothing new on the credit horizon for the forthcoming year, and believe that with good work any problems will be solved.—Albert D. Hutzler, President, Hutzler Brothers Company, Baltimore, Maryland.

★ ★ ★

I am afraid I have no better crystal ball than anybody else. As far as I am concerned, the problems for 1953 will be very much the same as any other year.—Lawrence Lachman, Treasurer, Bloomingdale Brothers, New York, New York.

★ ★ ★

Consumer credit reached an all-time high in 1952 and this has had a favorable influence on the total purchases by consumers. The collection of accounts has become increasingly more difficult and it would appear that greater caution will have to be exercised in the extension of credit in the months ahead. As long as the economy operates on an even keel, no substantial losses should be sustained if considered judgment is used in the extension of credit. Because of the favorable conditions that have obtained during the past number of years, retailers might become lulled into a false sense of security in liberalizing credit terms and making such terms available to poorer credit risks. Therefore, in 1953 I believe credit should be extended as an instrument of obtaining additional sales volume, but greater caution should be exercised to avoid excessive losses.—Morton J. May, Chairman, The May Department Stores Company.

★ ★ ★

Credit is an important tool in retailing for the selling of merchandise and it is our endeavor at our store to use credit liberally but at the same time judiciously. Many stores throughout the country are reporting a decline in thirty-day account collection percentages. Many stores are also reporting there is an increased desire on the part of customers to use their credit for an excessive purchase of soft goods on some form of an instalment basis. There was a very interesting article in the November 7, 1952, *Wall Street Journal*, on the subject "Credit Firms Refusing Big-Car Buyers With Small-Car Incomes." That article clearly points out that many people are becoming overextended. It also points out concern of the finance companies that probably there may come a time soon when there may be a minor recession and it would be well to be sure that their credit house is in good order. I feel that retailers are in exactly the same position. They should use credit freely and at the same time should make sure that the customer's possibility of payment is reasonably good so excessive losses will not occur because of injudicious extension of credit. So far as thirty-day accounts are concerned, we believe that an account which is paid up is open to buy. We believe that collection methods should be simple; should be kindly so there is no possible chance to offend the customer, but at the same time they should be firm. Perhaps this seems to indicate that we are interested in eating our cake and having it at the same time. However, that is not really the case. We are extending more instalment accounts than we have in some time. We are opening up new thirty-day charge accounts with any customer who has any reasonable basis for credit, both for instalment accounts and thirty-day charge accounts.—E. C. Stephenson, Vice-President, The J. L. Hudson Company, Detroit, Michigan.

Retail credit sales managers have two important problems to face in 1953, (a) A continuous and progressive drive for new accounts and a stepped-up promotional campaign to reactivate paid-up accounts, and (b) Prompt and accelerated follow-up on accounts receivable is an important phase for credit executives to see followed. A decline in business during the latter part of 1953 is generally predicted; thus, the policy of keeping accounts receivable liquid becomes of paramount importance. If we successfully solve the first two problems and keep our inventories in healthy position we should then be able to realize our goals and show a net profit for 1953.—Joseph A. White, Vice-President, Harris Stores Company, Pittsburgh, Pennsylvania.

Opinions of Credit Executives

It seems rather difficult to forecast any one particular credit problem for 1953, as there are so many angles to be considered. However, we are inclined to feel that the following statement should be given much consideration: Promotion of charge sales and a constant analysis of past-due accounts, with a reduced credit operating cost.—E. M. Arthur, Woodward & Lothrop, Washington, D. C.

★ ★ ★

One of the most important retail credit problems that confronts the credit department for 1953 will be the determining of the type of activity that should be shown to get the best results as outlined in these suggestions. A credit department may collect money efficiently and hold down losses, but it may not always advance the prestige and standing of the store or the credit manager. But a good credit sales department—good offensively as a promoter of sales, and defensively as a protector of credit—advances the prestige and standing of the store and the credit sales manager. Expressed in terms of the balance sheet and operating statement, a credit department is an expense and a liability, while a credit sales department is an investment and an asset. Top management gives high priority to the requests of any department that generates increased sales, profits, and assets, but it considers with reluctance the request of a department that can only be considered an expense or a necessary evil. The logic of this brief analysis is inescapable. The advancement of the credit operation in stores depends upon the evolution of the credit departments into credit sales departments, and the development of the credit executive into a credit sales executive, or the latter into a better credit sales executive.—Dean Ashby, Famous-Barr Company, St. Louis, Missouri.

★ ★ ★

The credit problem for 1953 will be whether to be lenient or tougher on extending credit. Many collection managers taking inventory of their account, found more P and L's and skips than they ever had. This was due to easy credit terms which people took advantage of and this means more headaches for the coming year. I believe in stronger credit terms because this will cut down on past-due accounts and prevent people from overbuying.—Leonard Baublis, Howard Street Jewelers, Baltimore, Maryland.

★ ★ ★

The most important credit problem in 1953 is that of customer relationships. Economic conditions are pretty much stable. Practically all credit departments are modern and up-to-the-minute on credit procedure. They have to be! The field of customer relationships has not kept pace and has lagged far behind in credit promotion. Too much cut-and-dried, although efficient, operation has crowded it out. The institution that does most to ensure harmonious and courteous consideration of patrons is going to forge out ahead of those more apathetic toward this now important activity. The old saying "Let the buyer beware" has now twisted itself into "Let the seller beware," lest he lose his customers to a more progressive establishment.—A. E. Cameron, Ware Pratt Company, Worcester, Massachusetts.

(Turn to "Credit Problems," page 29.)

CREDIT DEPARTMENT

Letters

LEONARD BERRY

THROUGH THE ENTRANCE of the store's credit department troop, every business day, a constant procession of visitors. Opening new accounts, making payments, discussing collection problems, seeking bill adjustments, and all the other myriad purposes that bring people to the credit department, cause that busy spot to have more direct, personal and important customer contacts than almost any other department in the store.

Not only do people come to the credit department in great numbers, they often come in varying degrees of disturbance, timidity, and perhaps even trepidation. Credit department personnel, therefore, possess unequalled opportunities for building friends for the store. Conversely, strong resentment and lasting ill-will can quickly arise from cold, indifferent and thoughtless treatment of these susceptible callers.

Somehow a warm, inviting and cordial atmosphere must be created in the credit office. Every effort must be made to make the customer feel personally welcome and put at ease. This can be considerably helped by improving the location and appearance of the credit office. It can be encouraged by constant training and inspiration of the credit department staff. It can be furthered by better credit communications.

The first of these objectives frequently involves a "selling" job to management. Better location and improved appearance of the credit office will not be commonly achieved until top store management recognizes the significant role that credit plays today in building profitable sales volume.

One credit sales manager recently related that he successfully enlisted the willing cooperation of his store president in this connection by inviting that executive to look at the approach, physical layout, general appearance and facilities, of the credit office from the critical viewpoint of the customer seeking credit service. Quite quickly after that informative scrutiny, authorization came through for considerable credit office renovation and modernization.

The training and inspiration of credit department personnel must come largely from the credit executive himself. It is not enough that the credit manager have a sales approach to credit matters, that same attitude must be imparted to every customer contact person in the department. By example, and by precept, the credit manager must impress upon those who work in the division the significant fact that each and every customer

is supremely important, and must be treated always with the courtesy due a respected guest.

Each link in the chain of customer credit service must be made strong and efficient. If not, the most devoted efforts of credit management in building a loyal credit clientele avail nothing. The curtness of a receptionist, the sullenness of a cashier, the abruptness of an interviewer, the tardiness of a bill adjuster in looking up the records, all these can undo in seconds the good will that has taken years to build.

And, of course, the significance of good communications in cementing better customer-store relations is impossible to overemphasize. Good communications involve not only letters and notices, but also signs in the department, telephone techniques, interviewing skills, and indeed every way in which one person communicates with another.

Now, at this beginning of a new year, steps should be taken toward improvement of these vital points of customer credit department reception and service wherever such be necessary.

This Month's Illustrations

Our illustrations are all from Spokane, Washington, the fine city The CREDIT WORLD honors this month.

Illustration No. 1. A rather unusual and positive approach to the troublesome past-due small balance problem. C. M. Geraghty, Credit Manager, The Eastern Outfitting Company, tells the customer that even though there is such a small balance owing, further charge purchases will be gladly honored.

Illustration No. 2. An informal and friendly collection letter. Its brevity and warmth should cause this letter to meet with ready customer acceptance. Used by G. Klein, Credit Manager, Pratt Furniture Company.

Illustration No. 3. This excellent new account acceptance letter, signed by the president of The Crescent, is part of a four-page deckle-edged folder. On the two inside pages (which space prevents us from showing) appears detailed information concerning the various credit services offered by The Crescent. On the back of the folder the firm's merchandising policy is shown, which reads, "Correct merchandise at a fair price is the basis of all satisfactory business. It is our aim to have every transaction satisfactory to the purchaser."

Illustration No. 4. Emry's sends this letter with customer's new credit cards. Opportunity is taken to thank the customer for friendship and patronage and to compliment prompt payers on their cooperation.

Illustration No. 5. This is one of a series of similar printed collection reminders (each a different color) used by R. C. Pratt Furniture Store. We especially like the key phrase "Remembering is sometimes a matter of being reminded!"

*Reading this publication carefully
and regularly will contribute to
your success as a Credit Executive.*

EASTERN

OUTFITTING COMPANY

W. 308 N. 1st Ave. SPOKANE, WASH. PHONE MAIN 2000

W. 308 N. 1st Ave. SPOKANE, WASH. PHONE MAIN 2000

November 12, 1952

Mr. William Olson
E. 705 Platt Avenue
Spokane, Washington

Dear Mr. Olson:

Should there be any question in your mind regarding purchases you may desire to make, please do not feel hesitant because of the small balance remaining on your account.

Your record with us is the best and entitles you to special consideration in the arrangement of terms. Be assured that we will gladly place any purchases on your account.

It will be a pleasure to have you call and make selections from our new fashions.

Very truly yours,

THE EASTERN

C. M. Geraghty
C. M. Geraghty
Credit Manager

PRATT FURNITURE CO.

COMPLETE HOME FURNISHERS
To Rt. 618 SPOKANE N. 21215 Ave. B. WASHINGTON

November 14, 1952

Mr. Floyd L. Blank
6000 Riverside Avenue
Spokane 31, Washington

Dear Mr. Blank:

Our records indicate that you have just missed a payment. Turn to one you forgot. We all let things slide occasionally without intention.

Won't you help us keep our accounts up to date, and mail your payment today? It shall be appreciated.

Very truly yours,

PRATT FURNITURE COMPANY

J. Klein
J. Klein
Credit Manager

THE CRESCENT

SPOKANE

November 12, 1952

Mrs. J. S. Brown
W. 307 Sprague Ave.
Spokane, Wash.

Dear Mrs. Brown:

It is a pleasure to thank you for the opportunity you have given us of opening a monthly Charge Account in your name and to assure you that we will spare no effort to make every transaction satisfactory to you.

We invite your attention to the inside pages. Herein we have set forth our monthly charge account terms and other credit services, and also a full explanation of the convenience and use of the Charge-Plan.

We think you'll find shopping at The Crescent a real pleasure. Our courteous, helpful staff of salespeople will make every effort to please you. You'll find unusually large assortments of merchandise, with famous brand-names featured in every department. Of course, you expect to find only merchandise of dependable quality at The Crescent.

Now installed, our new air conditioning equipment will add further to your shopping pleasure. The first, second, third, and fourth floors of both buildings, as well as the basement store are now completely air-conditioned.

We appreciate the privilege of serving you and may we never fail to please you.

J. S. Brown
J. S. Brown
Controller

"REMEMBERING IS SOMETIMES A
MATTER OF BEING REMINDED"

HAVE YOU OVERLOOKED THE REMINDER WE
MAILED YOU A SHORT TIME AGO?

\$175.00

THIS BAL. \$5.00

CREDIT DEPARTMENT
B. C. PRATT FURNITURE STORE
21215 Ave. B. SPOKANE, WASHINGTON
(Telephone 2-1111)



EMERY'S
THE HOUSE OF QUALITY

November 14, 1952

John B. Williams
1971 West Riverside
Spokane, Washington

Dear Mr. Williams:

You certainly deserve a special letter of thanks for the splendid way you continuously take care of your charge account at Emery's.

We want you to know that your fine record does not go unnoticed. On the contrary, it is very much appreciated.

Please feel free to mention our name if you should ever have use for a business reference. It will be a pleasure to comment on your excellent credit record with us.

For your convenience we are enclosing our 1952 Credit Card. We are looking forward to doing business with you again in the very near future.

Yours very truly,

EMERY'S

Lester Pouch
Lester Pouch
Controller

REVENUE AT SPOKANE

SPOKANE 1, WASHINGTON

CREDIT WORLD
JANUARY 1953

23

CREDIT FLASHES

Harry O. Schultz

His many friends in North America will regret to learn of the death of Harry O. Schultz of Calgary, Alberta, Canada. He suffered a heart attack and passed away shortly after midnight, December 30, 1952.

Members who attended our International Consumer Credit Conference at Banff in June, 1948 will remember the cordial greeting of Harry, who acted for Calgary, Edmonton and District 10 in staging the conference. Harry often referred to the many friendships made at Banff and the letters received from members expressing appreciation for his courtesies and hospitality and that of our Canadian friends.

It was my privilege to meet Harry Schultz first at Calgary in May, 1936. Following a meeting there we made the trip together to Victoria, B. C., for the annual conference of District 10. At that time he was enthusiastic about the possibilities of a strong National membership in Canada and although we numbered less than 250, he predicted an eventual membership of several thousand, which result has been attained.

Harry was one of the most successful Bureau managers in North America. He was a great believer in consumer credit education and for years used the Calgary newspapers in this connection. These messages resulted in a marked improvement in credit conditions.

Harry Schultz and his enthusiasm and unselfish devotion will be missed by his many friends in the credit fraternity. To his wife, Vera, we extend our heartfelt sympathy.—L. S. Crowder.

Thank You, Milwaukee!

J. J. Fuchs, President, Milwaukee Retail Credit Association, reports 22 new National members as a result of a recent membership drive. Chairman of the Membership Committee turning in this splendid result was Lyle Kamradt, assisted by two Co-Chairmen, Osborne Lysne and Jim Dowling. Congratulations!

Striving for 1,500

In order to accomplish as near a perfect credit control as is possible, our first duty as a local credit association has been to get every firm doing a charge or credit business in the area to become a member of both the local and national associations. The Spokane association strives for this each year and during April and May our entire membership is asked to participate in a membership campaign to bring it about. Results under this program have been outstanding. We have grown from 340 members in 1937 to 914 members at the present time all of whom are members of the N.R.C.A. We hope to make it 1,500 before we stop which is our potential with a population of 173,000.—R. T. Schatz, The Washington Water Power Company, Spokane, Washington, Past President, N.R.C.A.

Coming District Meetings

District Two (New York and New Jersey) and **District Twelve** (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia and West Virginia) will hold a joint annual meeting at Hotel New Yorker, New York, N. Y., February 8, 9, and 10, 1953.

District Three (Florida, Georgia, North Carolina and South Carolina) and **District Four** (Alabama, Louisiana, Mississippi and Tennessee) will hold a joint annual meeting in conjunction with the 39th Annual International Consumer Credit Conference of the National Retail Credit Association, The Roosevelt Hotel, New Orleans, La., June 22, 23, 24, and 25, 1953.

District Five (Ohio, Michigan, Ontario, Canada, and Kentucky) and **District Thirteen** (Illinois, Indiana, and Wisconsin, except Superior) will hold a joint annual meeting at the McCurdy Hotel, Evansville, Ind., February 22, 23, and 24, 1953.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin and Manitoba, Canada) will hold its annual meeting at the Martin Hotel, Sioux City, Iowa, February 22, 23, and 24, 1953.

District Seven (Arkansas, Kansas, Missouri and Oklahoma) will hold its annual meeting at the Connor Hotel, Joplin, Mo., March 15, 16, and 17, 1953.

District Eight (Texas) will hold its annual meeting at the Rice Hotel, Houston, Texas, May 17, 18, and 19, 1953.

District Nine (Colorado, New Mexico, Utah and Wyoming) will hold its annual meeting in Ogden, Utah, Hotel Ben Lomond, April 12, 13, and 14, 1953.

District Ten (Alaska, Idaho, Montana, Oregon, Washington, Alberta, British Columbia, and Saskatchewan, Canada) will hold its annual meeting at the Empress Hotel, Victoria, British Columbia, Canada, May 17, 18, and 19, 1953.

District Eleven (Arizona, California, Nevada and Hawaii) will hold its annual meeting at the U. S. Grant Hotel, San Diego, Calif., February 15, 16, 17, and 18, 1953.

Wanted to Buy

CREDIT BUREAU with or without collection department, trading area 50,000 to 150,000 in Florida. Will pay cash. Box 1531, The CREDIT WORLD.

CREDIT BUREAU with collection department in a city 7,000 to 20,000 population. Please state all particulars in first letter. Box 1532, The CREDIT WORLD.

For Sale

Twenty-five Remington Rand four-drawer safe files, legal size, one hour label. Write R. M. Grinager, Credit Manager, The J. L. Hudson Company, Detroit, Michigan.

"Annual Meeting"

(Beginning on page 13.)

Employment and payrolls are high. Consumers are buying. Business expenditures are being maintained at high levels. Government disbursements for defense are substantial. However, all this is contingent on continuation of the present world tensions."

The economic balance of the country in the months ahead, according to Schmus, depends to a great extent on the Korean War. Should hostilities end, there would be a tendency on the part of the American people to be less willing to back a large defense program. Consequent reduction in government spending would affect employment wage levels, prices, consumer trends, even the whole psychological attitude of business and consumers, he said.

Analyzing the field of finance companies in the economic picture, Schmus pointed to the size of the finance company as an index of its ability to tap central money markets.

He explained: "Computations show that national companies have used term debt more extensively than regional and local companies. In turn, the equity cushion of regional and local companies has been greater than that of the national firms. This greater use of term capital has resulted in a smaller proportion of equity funds, which reflects the greater liberality of lenders."

Mr. Schmus gave as reasons for the change: "1. With increased or new bank lines difficult to obtain, and with many more dollars required to finance the same number of units handled in the pre-war period, many of the finance companies turned to the term or equity markets for additional funds needed for their operation. 2. The availability of this source of funds. Perhaps no single factor has contributed more to the acceptance of the finance company notes as desirable assets than the cooperation of the finance companies in furnishing their creditors with information concerning the most detailed phases of their operations," he concluded.

"Wage Earners"

(Beginning on page 14.)

that it is not solely the trustee's task to see that a wage-earner's arrangement is carried to a successful conclusion. We feel that the referee must exercise his authority and his judgment to see that the parties do their best to fulfill their obligations under the arrangement. If this is not possible, the referee should see that the case is promptly dismissed so that the parties may be free to pursue their other remedies.

I believe that Chapter XIII will be increasingly used throughout the country as a healthy substitute for wage-earner bankruptcies. Referees presiding over these cases will come to have a strong feeling of accomplishment as they see more of them successfully concluded. A Chapter XIII proceeding, successfully concluded, in which the debtor has paid all of his debts in full, is a constructive piece of work of which any referee may be proud. He has done double service to his community. He has helped to rehabilitate an individual, who might, with much less sacrifice and effort, have become a bankrupt, and as a result, the business people of his district have avoided financial loss. ★★★

Announcing a New Plan For Conducting Credit Schools

Effective February 1, 1953, the National Retail Credit Association, in cooperation with the Associated Credit Bureaus of America, will offer a new plan for conducting credit schools in the field for credit associations and credit bureaus. Sterling S. Speake, Retail Credit Specialist, on leave of absence from The University of Texas, Division of Extension, will be the instructor.



Each credit school will be set up on a four-night basis for two-and-one-half-hour sessions and will cover all phases of credit and collections. The textbook, *Retail Credit Fundamentals*, 1952 edition, by Dr. Clyde Wm. Phelps, will be the basis for the course and a copy will be given to each enrollee. The fee for the 10-hour course will be \$10.00 per person, including the textbook and all expenses. A minimum of 50 enrollments will be required.

Your National Officers have felt, for some time, that an intensive credit educational program conducted by a trained credit instructor was greatly needed. The University of Texas, Division of Extension, is to be commended for approving a year's leave of absence for Mr. Speake so he could conduct these schools for the National office. He has held over 200 credit schools in the field with an enrollment in excess of 10,000 retailers and credit people. Mr. Speake received his B.B.A. degree from The University of Texas School of Business Administration in 1937. From 1937 to 1942 he was associated with the Retail Merchants Association of Austin, Texas. For five years during World War II he was an Air Force Administrative Officer. Since 1947 he has been on the staff of The University of Texas, Division of Extension, as a Retail Credit Specialist.

The schedule for the period from February to August 1953 is now being organized for cities in the southwest and southern states. Other cities will be offered this course at a later date. Fill out the coupon below and return it to the National Office if you are interested in having Mr. Speake conduct a credit school in your city.

National Retail Credit Association
375 Jackson Avenue
St. Louis 5, Missouri

We would like to have a Retail Credit School conducted in our city by Mr. Speake. Please give us date the Course can be scheduled for us. If possible, we prefer it to be scheduled during the month of _____ or month of _____
(1st choice) (2nd choice)

Name _____

Address _____

City _____ State _____

Granting Credit in Canada

C. B. FLEMINGTON . . Canadian Correspondent

The Basis of Credit and Collection Technique

F. T. EVERSON, M.C.I., Gough and Company Ltd., Vancouver, B. C., Canada

IN READING the Apocrypha not so long ago, I came across the following which I considered singularly appropriate even today: "Lend to thy neighbour in time of his need and pay thou thy neighbour again in due season. Confirm thy word and keep faith with him and at all times thou shalt find what thou needeth." Reading on further I found another passage: "Till he hath received, he will kiss a man's hand; and for his neighbour's money he will speak submissively; but when he should repay, he will prolong the time, and return words of grief, and complain of the time." Times have not changed very much after all.

We see then that credit has been used through the ages, never, however, to the same extent as at present. Modern business is based on credit and without it the complicated economic structure of today could not function.

At one time consumer credit was mainly confined to durable goods. This was later extended to soft goods and then was again and again extended until now credit may be obtained to cover the purchase of almost anything. Reams have been written pro and con regarding the advisability of this type of credit but regardless of its good or bad points, I think that it is here to stay and must be accepted as a hazard of modern business.

There are some types of businesses which can and do still function on a strictly cash basis and if a merchant can obtain a sufficient volume of business on this basis, his position is indeed a happy one.

To obtain a satisfactory volume of profitable business is the only reason for granting credit to the consumer. Thirty-day accounts, budgets, revolving credit, etc., is a convenience to the customer, an advertising medium and a business builder for the merchant.

MORE SALES... Through Charge Customers

We Can Get You

25 OR MORE
New Charge Customers
EVERY DAY!

Write today for full details!



A. J. WOOD & COMPANY
1518 Walnut Street, Philadelphia 2, Pa.
MARKET • OPINION • ATTITUDE Research

Men, and especially women, who buy for cash, are likely to shop around. Charge account customers become identified with certain stores and are more likely to concentrate their purchases. Many stores, and rightly so, consider a large number of satisfied charge account customers as their greatest asset.

How true is the saying that an account properly opened is an account half collected. This is the time when a thorough understanding should be established and all necessary information obtained. At the outset there will probably be less sensitiveness on the part of an applicant and details may be readily given which may later be difficult to obtain.

The time of the initial application for credit is the time for a prospective customer to be given "the dope" on the supplier's credit policy, and perhaps at the same time, a diplomatic "pep talk" on the value of a good credit record. There is no time like the beginning to establish a satisfactory basis of future credit relations and good will.

Numerous definitions of credit have been given but one that appears to cover the subject best is "Credit is the exchange of goods or services for a promise to pay at some future date." The question always to be decided is the value of the promise. Its worth is based on what is known in credit parlance as the "Three C's"—Character, Capacity, Capital—and if complete information were always available and judgement used accordingly, bad debts would be reduced to a minimum.

Character is, from a credit viewpoint, a man's willingness or inclination to pay his bills, which is, in turn, significant of and based on the soundness of his moral principles. This is the most important of the three C's and cannot be overestimated.

Has the applicant the necessary equipment, both mental and physical, to assure steady employment and a reasonable earning power? Does his income exceed his demands? The importance of keeping a person's purchasing within his earning power or capacity cannot be too greatly stressed. Overbuying shows a lack of judgement and invariably reacts to the disadvantage of creditors. The man who fails to pay usually owes several accounts of an aggregate amount which would require considerable sacrifice to liquidate, and he follows the line of least resistance and withholds payment from all.

To the individual or consumer, while desirable, the lack of capital is not a bar to credit; a man who is earning \$2,400.00 per year has capitalized his time and ability at \$40,000.00. His income equals what would be realized from an investment of this amount at six per cent.

The test of character and capacity is the reputation a man has established for meeting his obligations. If he has done so for a length of time the chances are that he

will continue. Granters of credit, who are situated in centres where the services of a reliable central bureau or clearinghouse is established, are fortunate inasmuch as this type of information is readily available. One final test is to ask yourself, "Would I lend this person a ten dollar bill as quickly as I would extend him ten dollars credit?"

A customer is under obligation to his supplier from the time his account becomes past due until it is paid. Unfortunately, not all debtors feel as they should about money they owe for merchandise. They act as though they had bestowed a favour when buying the goods and another favour when they pay for them. The longer the payment is deferred, the greater the favour when the bill is finally paid.

People pay bills because of honesty, pride or fear, and appeal must be made repeatedly and patiently to the first two qualities before fear and force are ever used. Remember the old adage, "You can catch more flies with syrup than vinegar."

Personal calls are probably the ideal form of collections. Unfortunately, however, the busy credit manager will have little time for travelling. Telephone calls, handled with tact and diplomacy, are usually quite effective.

Books, without number, have been written on the subject of collection letters, but their principal features can be listed as follows: 1. Good English. 2. An endeavour should be made to find out if the customer has a reason for nonpayment. Sometimes there are complaints or adjustments necessary. 3. Letters should follow each other

"Bureau Work"

(Beginning on page 5.)

than 4,000,000 cards carrying information about every person who ever made a credit purchase in Spokane.

At the end of that first year, a half-century ago, I had about 200 customers who purchased all the service I could give them for 75 cents a month. Credit checks averaged about five or six calls a day. Today, with nearly 1000 members and 50 employees, we handle more than 700 direct credit inquiries daily, plus a host of other inquiries by telephone and mail.

It has been a difficult 50 years, because any business that is selling service encounters many difficulties. However, the long corridor of time has dimmed the hardships and pain, leaving only the joy and good moments shining like street lamps on a rainy night. Even though I am 83, I find it is still a pleasure to get up and come down to the office every day. What other business offers the spiritual rewards that are found in this fascinating business of credit? ★★★

consistently in subject matter and time intervals. 4. Make no statements which you do not intend to follow through.

Form letters have their good points in reducing the time required for dictating when large numbers of accounts of a similar nature require dunning. It should always be kept in mind, however, that the main object of a letter is to secure payment of the account, or to elicit a reply. When a reply is received the correspondence should then take on a personal character. ★★★

BE YOUR OWN COLLECTOR

You Get More For Your Money On

THESE EASY-TO-USE TESTED COLLECTION FORMS

75—No. 1, The String Around Finger

15—No. 2, The Past-Due Notice

10—No. 3, The Demand Notice to Debtor

All Three Notices in One COMBINATION BOOK, or Padded Separately, 100 to a Book
Also REPOSSESSION & FINAL NOTICE Forms

100 Any Form \$10—300 Any Form or Assorted \$25

ALL MONEY PAID DIRECT TO YOU

LEGAL IN U. S. MAIL

Complete Mailing instructions also LEGAL OPINION furnished with each order.
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..... CIVIL ACTION Case No. 1120

DON'T BE MISLED BY IMITATIONS!!!

We Guarantee Prompt Shipment

THE GOOD WILL COLLECTOR SYSTEM

P. O. Box 228, Kingston, Ont., Canada

1700 Lucile St., Wichita Falls, Texas

LOCAL ASSOCIATION *Activities*



New Orleans, Louisiana

At the annual meeting of the Retail Credit Association of New Orleans, New Orleans, Louisiana, the following officers and directors were elected: President, John E. Zimmermann, M. Kirschmann & Co.; First Vice President, Roland Ruiz, D. H. Holmes, Co. Ltd.; Second Vice President, Ola Fayard, Maison Blanche; Secretary, Vernon E. Svendsen, Godchaux's; and Treasurer, Alex Maier, New Orleans Public Service. Directors: John J. Bealle, Sears, Roebuck Co.; Gillie J. Bourque, Jr., Rosenberg Furniture Co.; Harris Copenhaver, New Orleans Retailers Credit Bureau; Duke D. Dalferes, Gulf Oil Co.; Thomas C. Fischer, Progressive Bank and Trust Co.; John W. Garner, Chas. A. Kaufman Co. Ltd.; Leonard J. Raymond, Local Finance Co.; John Riddell, Metairie Savings Bank and Trust Co.; Creed B. Scoggins, Mayer Israel Co.; and Stanley Schulken, Labiche's.

Dallas, Texas

The newly elected officers and directors of the Dallas Retail Credit Managers' Association, Dallas, Texas, are: President, Earl B. Messingill, Lone Star Gas Co.; First Vice President, G. G. Alexander, Linz Brothers; Second Vice President, W. W. Whatley, Hunt Grocery Co.; Secretary, J. E. R. Chilton, Jr., Merchants Retail Credit Association; Assistant Secretary, Chellie Sue Bragg, Merchants Retail Credit Association; and John W. Stovall, Republic National Bank. Directors: W. H. Bailey, Creditors Service Bureau; Allen Barker, Manor Baking Co.; Steve Barrett, Magnolia Petroleum Co.; F. M. Boyd, Anderson Furniture Co.; Wm. F. Cofer, Neiman Marcus Co.; Mrs. Dee Jestis, Mr. Buster's Studio Furniture; Howard Nation, Sanger Bros.; G. Jack Orr, Amer-

ican Transfer & Storage Co.; C. H. Rosamond, Dallas Medical & Surgical Clinic; and Mrs. Viola Spence, Dr. W. C. McCaskill, Jr.

St. Louis, Missouri

The 1952-1953 officers and directors of the Associated Retail Credit Men of St. Louis, St. Louis, Missouri, are: President, Charles Burns, Union Electric Co.; Vice President, Sol Zeve, Union May Stern Co.; Secretary, A. J. Kruse, Credit Bureau of St. Louis; and Treasurer, James M. Friedman, Famous-Barr Co. Directors: Ben Thomas, Socony Vacuum Oil Co.; Kenneth Oetzel, Boyd's; Jack Donhauer, Consumer Installment Credit Corp.; Norbert Brosnan, Stix, Baer & Fuller; Mrs. Llewellyn Saali, Swope Shoe Co.; A. J. Schroeder, Greenfield's; Dorothy Kuhs, Lane Bryant; Roy Manker, John T. Ross and Associates; Harry Meisman, Mermod-Jaccard-King; W. J. Nichols, Bank of St. Louis; Madeline Crane, Grimm and Gorley; Mary Louise Mazzoni, Kline's; and Marie Malone, A. F. Steiner, Inc.

San Antonio, Texas

The new officers and directors of the San Antonio Retail Credit Association, San Antonio, Texas, are: President, Joe E. Schneider, Schneider Printing Co.; First Vice President, Robert Steelsmith, Wolff & Marx Co.; Second Vice President, J. C. Harrison, San Antonio Trunk Co.; and Secretary-Treasurer, Tony C. Tarin, San Antonio Retail Merchants Association. Directors: Leo Kutzer, Stowers Furniture Co.; John Dunsmore, Light Publishing Co.; Alvin Jenschke, Spencer Motor Co.; Rudy Mueller, City Public Service Board; E. H. Crews, Magnolia Petroleum Co.; W. J. Heye, Paul Anderson Co.; and Mrs. Dorothy David, King Furniture Co.

District Eleven News

The annual meeting of District II will be held at the U. S. Grant Hotel, San Diego, California, February 15-18, 1953. Fred L. Train, General Manager, Merchants Credit Association of San Diego, is chairman of the conference. Speakers on the general program include: O. W. Frieberg, American Trust Co., San Francisco, Calif., and President, National Retail Credit Association, whose subject will be, "General Observations;" Francis Auger, Credit Bureau of Orlando, Orlando, Florida, and President, Associated Credit Bureaus of America, on "Our Mutual Responsibility;" Vincent Kennedy, General Manager, California Retailers Association, will talk on "Legislation, the Responsibility of Retail Credit Executives;" Harold A. Wallace, Executive Vice President, ACB of A., St. Louis, Mo., who will have as his subject "I Believe;" Nelle Stombs, Eddie Gippert Motor Sales, Rock Island, Ill., and President, Credit Women's Break-

fast Clubs of North America, will talk on "The Value of Credit Women's Breakfast Clubs;" George A. Scott, President, Walker's Department Store, San Diego, will talk on "C-R-E-D-I-T Does Not Spell Credit;" Frank T. Caldwell, Manager, Retailers Credit Association, San Francisco, whose subject will be "The Credit Manager Asks, 'Do I Need Bureau Service?'" W. E. Ryan, Broadway Department Store, Los Angeles, with the subject "The Credit Bureau Manager Asks 'Do I Need the Cooperation of Credit Granters?'" and Howard G. Chilton, Manager, Credit Bureau of Fort Worth, Texas, will talk on "It's So Easy."

There will be panel discussions of the various groups and on Wednesday morning there will be a credit clinic of all groups with L. S. Crowder, General Manager-Treasurer, National Retail Credit Association as moderator.

● "Credit Problems" ●

(Beginning on Page 20.)

The most important credit problem for 1953 will be to maintain a satisfactory and profitable service to our charge customers. In order to give good service, it is necessary to have well-trained personnel; keeping the credit office efficiently staffed will certainly be a problem during the year. Success of our credit department and credit sales volume depends upon the courtesy with which customers are treated; control of accounts; speed and accuracy on all transactions; follow-up on collections as well as inactive accounts, and solicitation of new accounts. Continual change of personnel makes necessary a constant training program and close supervision if we are to meet the many problems of a credit office.—Amy L. Buckley, Scharff's, Davenport, Iowa.

★ ★ ★
If it were possible to see into the future, the problems that confront credit sales managers in 1953 would be solved. But do not let anyone kid you. Even the so-called experts do not know the answers. It is always "if this happens, it will be thus and so" or "providing." Who is to tell us whether or not "this or that will happen" or can give the answers to the "provisos"? Just bear this in mind: your ideas are as good as those of the next person. Perhaps on the other hand, you have no ideas as to what might happen creditwise in 1953. That is all right, too. Very few of the poll experts, you will remember, were willing to stick their necks out on the presidential election. They had learned from past experience how wrong their predictions could be. Far be it for me to formulate any definite opinions. There is one thing certain, however, and that is too many people are getting too far in debt. There is bound to be reckoning one of these days that could very well upset the whole economy of our country. If this comes about, then the most important retail credit problem that will confront our credit sales managers will be simply the job of collecting past-due accounts.—George W. Brown, The First National Bank, Fort Worth, Texas.

★ ★ ★
In my opinion our most important problem will be to hold down or lessen the expenses of running our departments and still maintain our collection ratios and our sales promotion activities. Low net profit margins in the retail field make it imperative that credit managers find more efficient methods of maintaining excellent over-all results.—F. G. Cimmerman, The Fashion, Houston, Texas.

★ ★ ★
Portland, being a seacoast city, we think little of seeing the seagoing vessels plying the waters of the harbor, and if you have ever seen a vessel dock you have probably seen a white line painted along the sides of the hull, just barely touching the lapping waters. It is generally well known that this line represents the water-line mark which every cargo-carrying ship bears. The vessel sails best and maintains an even keel when loaded to this line. If overloaded, it is difficult to manage and may be swamped by heavy seas, while if it does not carry a sufficient burden it will be unstable and in danger of floundering. Men, like ships, make little progress or go under with too much overloading, or flounder with too little responsibility. Each has an invisible "burden" line, determined by capacity and power. Here is our problem. We must try to prevent "overloads" and help find proper "water lines" for each person using credit today. It is important to know how much financial responsibility a man can carry; figuratively at what water line he can sail best. We, as credit managers, can do much to help each person seeking credit to find how much load he can safely carry.—Mrs. Darleen E. Crocker, Loring, Short, and Harmon, Portland, Maine.

★ ★ ★
The problems confronting credit sales managers in 1953 will simply be a step further into already prevalent problems. One of these is the development of complete coordination between the two most important departments of any credit office: the credit approval department, or buyer of discount paper, and the collection department. This year should see a fairly steady production of all commodities along with release of controls on consumer goods. These two factors may well prove a boon to credit sales or result in a disconcerting percentage of past-

due accounts. Unless these two segments of the credit office work in close harmony, the volume of credit sales may well expand to a remarkable degree, only to have the percentage of past-due accounts rise to an even greater degree. A simple rule of thumb in selection or training of people to approve credit is that a person is never qualified to approve credit unless he has first learned the problems of collection. Keep especially alert this year to the percentage of delinquency to the volume of credit sales. In some businesses it may be enlightening also to compare the dollar percentages of each. Another point of probable trouble is the lack of strong endeavor on the part of credit sales managers to keep the buyer in his proper price range of purchases rather than in the false "appetite" range which has developed in the minds of so many consumers in recent years. That problem must be solved in a local-condition level, but is a problem which must be faced by definite policy on the part of management. And last, fight for proper down payments and sensible maturity dates. Without a clear-cut policy regarding these two factors, we may easily arouse the concern of our legislators to the extent of reviving government controls of a nature which will greatly curtail the opportunity of doing our part in the creation of a sound economy.—R. E. Dyerson, Illinois National Bank & Trust Company, Rockford, Illinois.

★ ★ ★
Speeding up service for the new applicant for credit may not seem like an important retail credit problem for 1953. However, it looms as a possible "most important" credit problem. Direct inquiries seem to be on the increase. From this it would appear that Credit Bureaus in some localities are not in a position to offer the quick service that had been customary in the early days, when good help was plentiful. The increase in volume of clerical detail is making it extremely difficult for credit bureaus to process reports as speedily as in the past, and keep their files flexible. This condition places an increased measure of responsibility on the credit executives of large credit establishments to find ways and means to speed up their authorization of new accounts and minimize customer complaints due to slow credit service.—John C. Fewkes, Forbes & Wallace, Springfield, Massachusetts.

★ ★ ★
I consider the uncertainty of the Korean situation one of the most important credit problems for 1953. With our new administration committed to do everything in its power to stop the Korean War and if successful, it will mean an immediate reduction in our defense program. Industry all along the line will face a temporary slump, at least. I am confident credit executives in the retail credit field fully recognize that a true prosperity can never be had from government spending on war or defense production and will be prepared to control credit properly if and when the adjustment period arrives.—J. H. Fisher, Meier & Frank Company, Inc., Portland, Oregon.

★ ★ ★
In my opinion during the first quarter, or more probably the first half of 1953, due to change in administration, we will see a business readjustment and/or a revaluation of business problems. Labor, if campaign propaganda of the losers is taken seriously, will be somewhat apprehensive, therefore, the average wage earner will be inclined to be more cautious in making obligations, keeping his purchases, generally, within his paying capacity. I believe the lax credit policy of permitting the purchaser to "make his own terms" will be less elastic and the trend will be toward stabilization of required down payments as well as limitations on time-payment contracts. Unless unforeseen problems of major or critical importance arise, I believe the last half of 1953 will see business readjusted to existing conditions and on a sounder basis. I also believe our percentages of collection recovery will increase.—Collis P. Haynes, United Gas Company, Houston, Texas.

★ ★ ★
I believe the greatest problem in 1953 in credit granting will be to keep customers from overextending themselves in buying on credit. We are having too many people with Ford incomes desiring to buy on time in the Cadillac price field.—R. C. Huddleston, Commerce Union Bank, Nashville, Tennessee.

(To be continued next month.)



Items of Interest From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

The delinquent debtor—some decisions on use of the "mail ship tracer."—Five skip tracer cases have reached the courts. Three have been decided by Circuit Courts of Appeals, two of these in November 1952 and the remaining two cases have been submitted, as this is written, but not decided.

When consumer credit of all kinds expands to over 21 billions, there is small wonder that the problem of tracing delinquent debtors tends toward proportional growth. That fact is probably reflected in the number of recent Federal Trade Commission proceedings, and these court cases.

Regardless of care in taking and checking references, or securing credit reports, cases arise where the debtor fails in payment of his obligation. The problem is aggravated by evasion or "skipping." Where the problem becomes aggravated, conceivably it may be traced in part to extension of credit where credit reports and other information as to reliability were not obtained in advance.

But whatever the specific origins may be, the problem of locating delinquent debtors will be with us for some time to come. It is a difficult problem and one deserving of some good solution. The courts, of course, will not solve it. They will delineate by a case-to-case method what is improper procedure (and hence what is proper), in locating or tracing the deliberately skipping debtor.

The first case to reach the courts was *Silverman v. FTC*, decided by the Circuit Court of Appeals for the Ninth Circuit in 1944. At that time Silverman was serving about 1,800 merchants and collection agencies throughout the United States.

He had used a "system" of sending out postcards for his customers under the name of General Forwarding System and Commercial Pen Company. One card announced that the General Forwarding System had on hand a prepaid package which would be forwarded upon receipt of information requested. Another card promised a "free" fountain pen upon return of the filled-in card. The court had no difficulty in affirming the Commission's Order, stating that the scheme was no less a swindle "because it may in certain cases trap swindling debtors."

The four additional cases noted above reached the court stage, almost simultaneously in recent months. In two of these cases decisions have just been handed down, namely, *Robert O. Bennett d/b/a National Service Bureau v. FTC*, U. S. Court of Appeals for the District of Columbia (Nov. 28, 1952), and *Lester Rothschild t/a Gen-O-Pak v. FTC*, Court of Appeals for the Seventh Circuit (Nov. 20, 1952).

Two cases, *DeJay Stores, Inc. v. FTC*, and *David Bernstein v. FTC*, have been argued and submitted to

the Courts of Appeals for the Ninth and Second Circuits, respectively. These will not be commented upon now, but will be when decisions are handed down.

The opinions in the Bennett and Rothschild cases contain interesting statistics as to the extent of the business. The record reveals that Bennett sent out about 2,100 letters a week, with some 700 replies received. In the Rothschild case three separate mailing pieces were used, and total mailings amounted to some 150,102 for the year 1950.

In the Bennett case the device used to obtain a response to the questionnaire was a promise of "a check for a small sum of money deposited with us for you." Actually the sum of ten cents had been deposited with Bennett for the customer. But the court said that this was a subterfuge since "a small sum of money" in this context "is at least a substantial number of dollars." And the court also sustained the Commission's ban against the use of the name "The National Service Bureau," pointing to the fact that the findings showed that in soliciting customers Bennett had advertised that "Washington, D. C., is the psychological city from which to send skip tracer mail."

The Rothschild case was similar to the above, using the ruse of "a package" which, in fact, consisted of three pen points. Also used was the promise of "a small sum of money" which in this case, as forwarded, was three pennies. The name "Manpower Classification Bureau" was also used.

Petitioner contended that "the statements in his cards and letters are factually true and that it necessarily follows he did not engage in a deceptive act or practice." But the court said: "Words and sentences may be literally and technically true, and yet be framed in such a setting as to mislead or deceive. . . . The information was requested not to enable petitioner to mail any package to debtor, but rather to entrap him." . . . "It is not necessary that an unfair or deceptive act forbidden by the Trade Commission Act should cause a pecuniary loss. One of the purposes of the Act has been the protection of the public, and public interest may exist even though the practice deemed to be unfair does not violate any private right. The fact that acts and methods deemed deceptive are used to trap delinquent debtors does not prevent such acts and methods from being against the public interest. Some of the debtors may have had a justifiable reason for not promptly paying their obligations. And a considerable number of persons who receive cards and letters from petitioner are not debtors."

for the *Smaller Businessman*

SALES PROMOTIONS • OFFICE PROCEDURES • CREDIT AND COLLECTION PROBLEMS

Training of Credit Office Assistants

THIS ARTICLE is directed to the smaller businessman who has one or two office assistants doing the detail work connected with credit extension and collection of accounts but who customarily makes major decisions himself.

Of course, Mr. Smaller Businessman, you have explained to your assistants your general credit policy, and the credit and collection procedures you wish to be followed. You have discussed with them from time to time your ideas on credit matters. But, you have many other things to do; running your business absorbs most of your time and you have little left for extensive training. Are you satisfied that your assistants would be sufficiently qualified to carry on in a competent manner should it be necessary or desirable that you be absent from the business for a prolonged period? That poses a real and urgent problem. Fortunately there is a solution.

It requires much experience and training to acquire that sure touch that means profitable credit operation. Tricky and involved credit and collection problems are constantly arising. They must be handled by someone, somehow, even if you are not available.

Just take one recent day, for example. Consider in retrospect how varied were the credit and collection perplexities presented to you that day for decision. How many of them could your assistants have handled successfully supposing you had not been within reach? Your answer will sharply reveal the necessity for adequate and systematized training of your credit office assistants.

The first step in such training is to have your credit and collection policy thought out and placed in writing. Just the action of putting into words what you feel should be the general direction of the store in credit and collection matters will call for some thought on your part and that can be beneficial too!

Next, make sure your assistants read and understand your policy. Not only will the fact that they now have a reliable yardstick to use in deciding what to do or say in this or that particular situation, but they will have the personal assurance that comes of the knowledge that they are doing the right thing.

Another advantage of having a clear policy is that customers then realize decisions are based on sound prior reasoning and established "policy" rather than on whim or emotional feeling of a person they might otherwise deem incompetent to rule on such matters.

Upon you, as store owner, rests the responsibility of establishing policy. You cannot expect sound decisions and satisfactory procedures from your assistants unless you have first charted the broad course of action.

We strongly recommend you encourage your assistants to take an active part in the meetings of the local Retail Credit Association and the Credit Women's Breakfast Club. It is by discussion of credit problems with others also facing similar ones daily that your assistants' skill and knowledge will be enlarged. At such meetings the combined experience of the members becomes available for all. Stimulating explorations into better credit and collection techniques and procedures result in keener interest and more successful operation. Active participation in local credit association activities by all credit granters also helps considerably in the betterment of credit conditions generally.

We suggest you provide each person handling credit matters in your office with a copy of the official N.R.C.A. handbook, *Important Steps in Retail Credit Operation* by Dr. Clyde William Phelps. This inexpensive, 72-page, pocket-sized manual describes in detail the basic steps of credit and collection procedure.

Written in simple and easily understood language, it provides the credit novice with an orientation into approved credit and collection routines and procedures. Based as it is on the combined thinking of leaders in the consumer credit field, it is recognized as an essential part of elementary training in credit work. We shall be glad to send you a copy on approval. Write to the National Office.

And, of course, regular and complete reading on the part of your credit office personnel of *The CREDIT WORLD*, the only publication concerned exclusively with consumer credit matters, should be actively encouraged. We need hardly stress the fact that *The CREDIT WORLD* represents the most advanced thinking of the nation's leading credit managers.

These suggested training and educational steps will insure your credit assistants' facing their important responsibilities with a sound knowledge of what and what not to do. Not only will they be able to take over more successfully in your absence, but they will be able to relieve you of many time-consuming problems, thus allowing you greater concentration on over-all business management.

Credit management is rapidly becoming a highly specialized task. Current conditions are complex. It is essential for the safety of every individual firm, and for the soundness of the business structure in general, that those entrusted with making credit decisions be provided with all the tested and approved educational facilities and resources that are available. ★★★

COMMENTS

By the Editor



Cooperation Is Essential

AS A RESULT of my contacts in the field this fall I have concluded that the most pressing problem confronting the credit manager and the bureau manager is that of personnel.

Shortage of experienced employees and the length of time necessary to train new personnel present a serious problem. Frequently before the training is completed the employee has accepted a position elsewhere.

Not only does this interfere with the efficient handling of the many details incident to credit work but it makes it difficult to answer credit inquiries with the usual promptness. This results in slower service on the part of the credit bureau and often requires one or more follow-ups, which increases expenses and retards other phases of the work.

Recently it came to my attention that a large and important credit bureau had hundreds of incomplete reports which could not be processed because of delays of local credit granters in responding to requests for trade information.

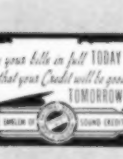
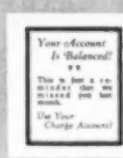
It is important that prompt service be rendered by credit bureaus and credit offices alike, to enable inquiring firms to serve their customers in a satisfactory manner. Failure on the part of one credit granter to furnish information to the bureau may cause the loss of a sale, and more important, the loss of a customer.

Credit managers and bureau managers should give this problem thoughtful consideration. In addition, there should be complete and wholehearted cooperation between the personnel of credit offices and credit bureaus. By working together service complaints will be reduced to a minimum.

It is of sufficient importance to justify constructive discussion at association meetings. Such a discussion and the teamwork of all concerned will produce worth-while results.

General Manager-Treasurer
NATIONAL RETAIL CREDIT ASSOCIATION





Form with fields for Name, Address, City, State, Zip, and checkboxes for National and International.

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